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# Controversy in the Steel Industry: An Analysis of the Differing Views of Labor and Management in the 1959 Contract Negotiations

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CONTROVERSY IN THE STEEL INDUSTRY:  
AN ANALYSIS OF THE DIFFERING VIEWS OF LABOR  
AND MANAGEMENT IN THE 1959  
CONTRACT NEGOTIATIONS

by  
ALEC A. LAZUR

A Thesis Submitted to the Faculty of the Graduate School  
of Loyola University in Partial Fulfillment of  
the Requirements of the Degree of  
Master of Social and Industrial Relations

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## **LIFE**

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## P R E F A C E

The author of this thesis wishes to express his appreciation to the many who assisted him in obtaining information needed for the presentation of the present work. Among those he is especially indebted to are: R. Conrad Cooper and the Public Relations Department of the United States Steel Corporation; Senator Estes Kefauver for the volumes of the Senate Subcommittee Hearings on Administered Prices--Steel; David J. McDonald and the Research Department of the United Steelworkers of America; and Secretary of Labor James P. Mitchell for the Background Statistics report.

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# CHAPTER I

## INTRODUCTION

The study of industrial controversy is both interesting and necessary-- interesting, because of the dynamic display of conflicting views generated by the contending parties; necessary, because 1) it provides a barometer by which to judge the changing times in industrial relations and 2) it serves as a basis for deciding whether another type of arrangement, other than our present system of "free" collective bargaining, is better and enables us to analyze carefully proposed schemes that would force acceptance and rigidity through third party intervention in labor-management relations.

The argument that the U.S. has retained its existing system without considering alternatives is peculiarly out of step with most American views. As a nation, we oppose intervention in economic life. We pride ourselves on the ability to resolve labor-management differences and direct them into channels favorable to the continuance of present arrangements. When the parties to contract negotiations meet an impasse of such importance that the controversy disrupts production in a major American industry, the question invariably arises: Does controversy preclude agreement?

### A. THE PURPOSE OF THE STUDY:

A great controversy has arisen in recent years over the relationship of wages and prices and the relative effect of change in each on our national

economy. The fact that the economy had been in a slump in 1957-1958 created an increased interest in the investigation of the wage-price controversy.

There are those who argue that wages are too high and that increasing them has caused a "cost push" inflationary spiral. The rise in prices, it has been argued by others, has forced the consumer to curtail purchasing, thus decreasing effective demands. Still others have charged that both wages and prices are exorbitant and have placed an undue burden on the economy, especially during the recession.

One of the most intense wage-price controversies has concerned the steel industry. The pressure to defend its position in the contract negotiations permeated the arguments from both labor and management. Management and labor in the steel industry had been aggressive in attempts to bolster its position and contentions in this wage-price discussion. This had been true in the past, but the 1959 contract negotiations heightened the contest.

This thesis is designed to study the contending views of management and labor in the steel industry during the 1959 contract negotiations.

#### B. PROBLEMS FACED IN STUDYING THE STEEL CONTROVERSY:

A few things should be made explicit before entering upon an examination of the areas of disagreement in the recent steel controversy. First, in the following discussion the author cannot describe the arguments in full

detail; if he did, he would confuse issues rather than illuminate them. And still the problem must not be overgeneralized to the point where the reader loses confidence and becomes engaged in mere speculation. Hence, to solve this problem the writer has used his own personal judgment in analyzing what he considered to be the main areas of controversy. Attempts have been made to summarize accurately most specific material presented by each party.

Second, persons studying the controversy in the steel industry must recognize the highly emotional nature of the argumentation by both labor and management. Both parties had high stakes in the 1959 negotiations. Within the framework of the analysis, the writer has tried to ride the work of emotionalism, and still account for the fine nuances of thought which were ejected into the particular arguments. In dealing with matters unusually susceptible to emotional coloration, for the writer to assume that this study is totally immunized from all environmental influences is both illogical and capricious.

Third, the greatest difficulty, perhaps, in the study of the steel controversy is to be found in the reader's own prejudices and pre-conceptions. People are influenced by their status and role and many times are overly concerned with their biases. Such an attitude inhibits a dispassionate study of the delicate area of controversy.

Fourth, controversy of its very nature is dynamic. It is constantly

being modified by circumstances of the times often beyond the control of either labor or management. What might have been essential to the parties at the time of this dispute, might seem irrelevant in a future time. Then too, new conditions might totally invalidate conclusions drawn from the present controversy. Technological changes or better understanding of the nature of controversy itself can eradicate some of the areas of dispute.

Fifth, the controversy was heightened by political overtones. While some suggest this to be of paramount importance in the final settlement, the reader will notice this completely omitted from the writer's consideration. To explore the area would necessitate further investigation out of the scope of the present work.

Sixth, the recency of the controversy has not permitted the publication of any complete analysis. The absence of such material has forced the writer to rely upon his own.

#### C. METHOD FOR TREATMENT OF THE PROBLEM:

The writer has selected two areas of controversy in the steel negotiations for detailed study. The problem of the wage issue forms the subject of Chapter II, while Chapter III deals with the work rules issue. The wage issue is further clarified by discussions on productivity, inflation, and foreign competition. In addition to the debate on work rules in which the parties

engaged, the writer has selected a number of decisions rendered by arbitrators involving work rules grievances in the steel industry. These are included in the general discussion of Chapter III, and appear after each of the issues---work rules, scheduling and hours of work, and wildcat strikes.

These cases were selected at random by the author from among many cases representing varying phases of the work rules controversy. The only similarity among them is that they involve a major steel producer and the United Steelworkers of America or other unions which were bargaining agents for workers in the basic steel industry or their subdivisions.

In presenting the cases, the author has summarized both the major background details of the grievance and the decision of the arbitrator.

#### D. MATERIALS USED:

For the most part, the available materials have been in the form of pamphlets, letters, and display advertisements printed by the Steel Companies' Coordinating Committee, individual steel firms, or by the United Steelworkers of America public relations department. Extensive use is also made of Iron Age, Steel Labor, and the daily press releases of the Associated Press.

The writer has also found abundant use of the Senate Subcommittee hearings on Administered Prices--Steel headed by Senator Estes Kefauver.

The August publication of Background Statistics by Labor Secretary James P. Mitchell and other Department of Labor publications have proved invaluable to the writer.

## CHAPTER II

### THE WAGE ISSUE

The wage issue received much publicity in pre-negotiation statements and early sessions of actual meetings between management and union bargaining teams. However, as negotiations progressed, the actual wage issue, while continuing to be aired in public statements, was relegated to a secondary position by the insistence of management that any talk of increases would have to be viewed in relation to other issues.

#### A. MANAGEMENT, WORKER, AND THE PUBLIC:

Arguments by both union and management in the wage controversy had been supplied to the general public through their paid advertisements in the daily newspapers, circular letters, and debates by leading officials on television. Each decided to try its case in public. The war of press releases and display advertisements continued apace with the negotiations at the Roosevelt Hotel in New York City. Since both sides embarked on a public campaign, the die was cast. In the "cold war" steel management insisted publicly and privately that they meant what they said about "holding the line." Steel labor found itself playing a dual role of both offense and defense, insisting that management claims were "phony" issues.

Steel industry ads attempting to make "inflation" into a key issue in the steel dispute appeared in 430 newspapers. Retaliating, the Union took

full-page displays depicting industry leaders piling up "fantastic profits." <sup>1</sup>

1. Union Determination--Need for a Wage Increase: The Union position had been set when delegates to the September 1958 Ninth Constitutional Convention of the United Steelworkers of America in Atlantic City, New Jersey, made it clear that they were determined to march forward in the next series of collective bargaining negotiations in steel and allied industries. The convention set the stage for future meetings of the 171 member International Wage Policy Committee (W P C) to draw up formal demands to the bargaining tables. The 3,500 convention delegates called upon the W P C to adopt a forward looking 1959 wage policy designed to provide future protection and improvements for their membership--both those employed and those suffering the hardships of unemployment.

At the same time the delegates were also determined that there would be no "turning back the clock" as the Union moved into the period of crucial negotiations. "We will be ready to conclude fair and reasonable agreements. We will ask for no more and we will accept no less" <sup>2</sup> declared David J. McDonald, International President U S W at the convention.

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1. These ads placed through the Robert Wiltman Company of Pittsburgh cost the Union an estimated \$1 million. "Labor Polishes its Image," Fortune, Vol. LXI, No. 1, (January, 1960), p. 179.

2. United Steelworkers of America, Steel Labor, (October, 1958), p. 1.



The delegates spelled out what they had in mind for the all-powerful W P C in a resolution which came in for considerable discussion before it was finally adopted. The Union program followed much the same line as had been adopted in previous conventions. It called for: <sup>3</sup> substantial improvements in wages and salaries, hours of work, incentives, job classification, holiday and shift differentials. In addition, pressure was to be applied to increase: S U B benefits, pensions, insurance, vacations, and holidays. However, what was not anticipated was the resistance of management to these proposals.

Within this framework, the area of the Committee's proposals were determined. When the Convention was held in September 1958, the economy was pushing forward from the low of the first half of the year and the recession. Business indicators predicted a steady comeback for the last half of 1958 and continued progress through 1959 at which time economists predicted that the GNP would reach 475 billion dollars. <sup>4</sup> This was good news to the Union when contrasted with total output which fell from a peak of 445.6 billion dollars a year in the third quarter of 1957 to a low of 425.8 billion in the first quarter of 1958. In the light of prospects of increasing economic progress, the Union wage policy centered about recouping economic losses of its members.

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3. Ibid.,

4. "7 Reasons Why Business Will Boom Again," U.S. News and World Report, XLV, No. 5, (August 1, 1958), p. 60

Union President David J. McDonald announced in a letter to the steelworkers the desire of the Union to advance their economic progress: From this letter we quote: <sup>5</sup>

A fair and reasonable wage agreement is the goal of the United Steelworkers of America in its 1959 negotiations with the Steel Industry.

Our Union sincerely believes it is entitled to such an agreement.

And we believe the true facts, which are essential to genuine collective bargaining, will substantiate the case of the United Steelworkers of America

While admitting that there was no universally accepted yardstick by which the needs of workers could be measured and calculated, the Union insisted that all workers have certain essential needs that are desireable and important in the interest of a healthy, flourishing Nation, composed of people who live under conditions of health and decency. Accordingly, the Union set out to list some prerequisites for adequate living standards.

Justification for the increase was sought by the Union through the use of two minimum budget surveys: The City Worker's Family Budget and The Heller Budget.

According to the Union's recital of the Bureau of Labor Statistics The City Worker's Family Budget, the minimum income for a family of four was

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<sup>5</sup>. David J. McDonald, "Letter to Steelworkers," May 5, 1959.

about \$4,700. From the annual earnings of steelworkers in 1958, the Union concluded: "In 1958, 40 per cent of all steelworkers did not even receive enough to be able to afford the low standards provided by the \$4,700 City Worker's Family Budget." <sup>6</sup>

Statistical data from the University of California Heller Wage Earner's Budget in September 1958, required annual earnings of \$6,087 for a home-renter and \$6,435 for a home-owner. Calling attention to the fact that in 1958, over two-thirds of all steelworkers failed to earn \$6,000, the Union justified even more its claim that a substantial wage increase was necessary in 1959. <sup>7</sup>

#### a. Wage Increases Negotiated in Other

Industries: Besides arguing that the Steelworkers needed an increase, the Union research department checked the results of recent gains by other workers to ascertain whether those made by the Steelworkers followed the general trends during the life of the last contract (1956-1959).

The study showed that employees of leading companies in other industries had negotiated increases in recent years as had the Steelworkers but

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6. USW, The Steelworker's Need for a Wage Increase, p. 5.  
 Author's Note: The BLS City Worker's Family Budget has been adjusted only for rises in consumer prices and for changes in Federal Income and Social Security Taxes since October 1951.

7. USW, Economic Survey in Support of 1959 Wage Policy, p. 6.

that deferred wage increases (negotiated in prior years) to take effect in 1959, would raise wages of employees in the aircraft, automobile, agricultural implement, and electrical manufacturing industries. (See TABLE I, p.13)

Thus, the Union argued that a "freeze" on Steelworkers' wages until mid-1960, as suggested by the companies' original proposal would put Steelworkers behind because of those automatic increases gained by other workers.

In addition to the evidence that workers in other sectors of the economy were receiving either deferred increases or new negotiated ones, the Union challenged especially the management of the United States Steel Corporation on the 25¢ an hour wage increase given in April, 1959, to its employees in the captive mines of the Bituminous Coal Industry. This, the Union held, was inconsistent with the industry's demand for a wage freeze for its employees in Steel and brought about a charge of "lack of principles" by the Union.<sup>8</sup>

b. Union Demand--Profits Can Warrant a Wage Increase: Record earnings reported by the steel industry in the first half of 1959, did not slip past the attention of the Steelworkers' Union. The profit picture of the industry, in fact, generated new demands for a wage increase. Profits for the 12 leading companies in the steel industry, totaling \$694 million for the first half of 1959 were the highest in the history of the industry.

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8. Ibid., p. 22.

TABLE I

## WAGE RATE INCREASES NEGOTIATED IN

RECENT YEARS BY MAJOR COMPANIES AND UNIONS <sup>9</sup>

(General Increases, Increment Adjustments, Cost-of-Living Adjustments  
Inequity Corrections, and Area Differential Adjustments)

	1956-1959	1959 Contract Expiration or Wage Reopening
<u>Coal Mining</u>	60.0-66.2¢* (incl. 15.0-16.6¢ eff. 1/1/59 and 10.0-11.0¢ eff. 4/1/59)	November
Bituminous Coal		
<u>Aluminum</u>	52.9¢ (inc. 1.0¢ C.O.L.** eff. 2/59)	July
Alcoa		
<u>Shipbuilding</u>	50.0¢ (inc. 1.0¢ C.O.L. eff. 1/59)	July
Bethlehem		
<u>Can Manufacturing</u>	48.9¢ (incl. 1.0¢ C.O.L. eff. 4/59)	September
American Can Co.		
<u>Petroleum</u>	46.5¢ (incl. '59 gen'l incr. aver. 14.0¢)	June
Sinclair Oil		
<u>Aircraft</u>	46.4¢ (incl. 7.1¢ eff. 5/11/59)	----
Lockheed		
<u>Automobiles</u>	44.5¢ (incl. 6.1¢ eff. 8/59)	----
General Motors		
<u>Agricultural Implements</u>	44.1¢ (incl. 6.1¢ eff. 9/14/59)	----
Intern'tl Harv.		
-----		
<u>Steel</u>	43.1¢ (incl. 1.0¢ C.O.L. eff. 1/59)	June
United States Steel		
-----		
<u>Meatpacking</u>	42.5¢ (incl. 1.0¢ C.O.L. eff. 1/59)	August
Swift and Company		
<u>Electrical Mfg.</u>	41.5¢ (incl. annual incr. of 3.46% av. 7.5¢ eff. 9/15/59)	----
General Electric		
<u>Rubber</u>	28.7¢	April (or any time thereafter)
B.F. Goodrich		
<u>Copper</u>	27.9¢	June
Kennecott Copper		

\* 60.0¢ an hr for employees on 8-hr day; 66.2¢ an hr for employees on  
7½ hr day.

\*\* Cost of Living.

<sup>9</sup>. USW, Memo: Re Wage Increases Negotiated in Recent Years, 1959.

The Union criticized management for its constant referral to wages as leading to "cost push" within the economy. If such were the case, they argued, then the record profits would not have been made.

The Union charged that soaring profits demonstrated that the steel industry could well afford the economic improvements necessary for its employees to maintain a decent, American standard of living. "How can the steel industry still persist in the pious hypocrisy that profits are not high enough; that its workers cannot share in its tremendous prosperity on the just basis of the productivity which made that prosperity possible..." <sup>10</sup>

## 2. Management Defense--No Need to Catch Up, Already Ahead:

While the Union continued to press for demands of increases in wages, management remained as adamant as the Union aggressive. One of the objections posed by management negotiators was that, even with a "freeze" on steelworkers' wages, they would still be well ahead of most other workers. (See TABLE II, p. 15)

The industry spokesmen pointed out that by January 1959, steelworkers' wages were more than 84¢ per hour above the average employee in all manufacturing. Since the 1956 agreement, the steelworkers' advantage over the average manufacturing worker had increased 65%. They exceeded the

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<sup>10</sup>. USW, Steel Labor, (July 1959), p. 1.

TABLE II

AMOUNTS BY WHICH STEELWORKER AVERAGE HOURLY  
EARNINGS EXCEED THOSE OF WORKERS IN  
SELECTED MANUFACTURING  
INDUSTRIES <sup>11</sup>

<u>Industry</u>	<u>1937</u>	<u>1940</u>	<u>1947</u>	<u>1955</u>	<u>June 1956</u>	<u>Jan. 1959</u>
-----						
BLS AVERAGE HOURLY EARNINGS						
Blast Fce., Steel Works, and Rolling Mills *	.809	.844	1.439	2.37	2.48	3.03
-----						
All Manufacturing	\$.185	\$.183	\$.202	\$.490	\$.510	\$.840
Durable Goods	.135	.120	.147	.360	.390	.680
Nondurable Goods	.232	.242	.268	.660	.670	1.050
Aluminum	....	....	.132	.160	.150	.140
Petroleum & Coal Prod.	....	....	-.057	.010	-.070	.250
Printing & Publishing	....	....	-.097	.020	.050	.400
Ship & Boat Building	-.005	-.029	-.009	.250	.240	.440
Motor Vehicles & Equip.	-.069	-.092	-.034	.080	.180	.380
Aircraft & Parts	....	....	.061	.200	.200	.450
Tin Cans	.246	.220	.245	.320	.310	.430
Ordnance	....	....	.144	.320	.280	.500
Machinery (Except Elec.)	....	....	.089	.280	.290	.590
Rubber Products	....	....	.049	.280	.340	.600
Chemicals & Allied Prods.	....	....	.207	.380	.360	.660

Source: Calculated from BLS data for those specific industries cited--  
Appendix TABLE I. Negative figures indicate earnings higher  
than steel.

11.

Inland Steel Company, Facts for Management: Economic Trends in the Iron and Steel Industry, (1959), p. 6. \* Author's Note: Taken from Ibid., TABLE 1, BLS Average Hourly Earnings, Selected Manufacturing Industries, p. 27.

wage paid to the average employee in durable goods by 68¢ per hour. They even outstripped the auto worker by almost 40¢. This last-mentioned was cited by management as a sharp contrast to the picture in 1940, when the auto workers' wages were slightly over 9¢ an hour more than steel. Seven years later, the gap between steel and auto wages was further shortened. In 1947, steel wages were behind auto by only 3¢ per hour.

a. **Steel Pay and Cost of Living:** In reviewing the increase in steel pay since 1940, management argued that though the purchasing power diminished considerably, especially for those with fixed incomes, the steelworkers' advantage had been growing at the rate of 13.7 per cent per year (See TABLE III, p. 17), or an increase of 311 per cent in 11 years. They questioned whether this increase was just.

In an attempt to stem the tide, management proposed, even before negotiations moved to the bargaining table, that the steelworkers accept a voluntary "freeze" on wages and forfeiture of the 17¢ cost-of-living adjustment gained through the 1956 agreement. In addition, the elimination of further increases based upon changes in living costs was advocated. Management attitude was that by doing so, the steelworkers would contribute considerably to stabilizing costs and increasing the purchasing power of those "who cannot push so hard." 12

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12. Ibid., p. 9.



TABLE III  
STEEL WAGE COSTS vs. COST OF LIVING <sup>13</sup>

Years				Percent of 1940		
	Steel Industry*			Steel Industry*		
	Consumer Price Index '47-'49=100	Payroll Cost Per Hr.	Employ- ment Cost Per Hr.	Consumer Price Increases	Payroll Cost Per Hr.	Employment Cost Per Hour
1940	59.9	\$ .855	\$ .905	100.0	100.0	100.0
1941	62.9	.962	1.012	105.0	112.5	111.8
1942	69.7	1.063	1.113	116.4	124.3	123.0
1943	74.0	1.140	1.190	123.5	133.3	131.5
1944	75.2	1.228	1.278	125.5	143.6	141.2
1945	76.9	1.257	1.307	128.4	147.0	144.4
1946	83.4	1.354	1.404	139.2	158.4	155.1
1947	95.5	1.513	1.563	159.4	177.0	172.7
1948	102.8	1.629	1.679	171.6	190.5	185.5
1949	101.8	1.730	1.753	169.9	199.2	193.7
1950	102.8	1.746	1.908	171.6	204.2	210.8
1951	111.0	1.945	2.114	185.3	227.5	233.6
1952	113.5	2.148	2.315	189.5	251.2	255.8
1953	114.4	2.267	2.440	191.0	265.1	269.6
1954	114.8	2.333	2.512	191.7	272.9	277.6
1955	114.5	2.509	2.722	191.2	293.5	300.8
1956	116.2	2.700	2.954	194.0	315.8	326.4
1957	120.2	2.917	3.218	200.7	341.2	355.4
1958	123.5	3.181	3.513	206.2	372.0	388.2
1959 Jan.	123.8	3.306	3.638	206.7	386.0	402.0

\* Wage employees engaged in the production and sale of iron and steel products.

Sources: American Iron and Steel Industry for cost data; BLS for Consumer Price Index.

<sup>13.</sup> Ibid., p. 8. Author's Note: The table has been copied directly from the source and in no way represents the computation of the writer.

### b. Fringe Benefits and Increase in Employment

**Costs:** Employment costs have been increased by payment for employee benefits since costs for such items as social security, vacation pay, insurance, pensions, and supplemental unemployment benefits (SUB) are based on payroll costs, management negotiators argued. Thus, each new wage agreement with the Union raised the costs of benefits per hour of work, whether or not the benefits themselves were directly changed by the agreement.

Wage increases reported in cents per hour sound relatively small. But an increase of one cent per hour applied to about 550,000 hourly and salaried steel employees means added employment costs of about \$15,000,000 a year. <sup>14</sup>

**c. Changes in Management Attitude:** After five months of attempting to reach an agreement, the industry began to cool to the fact that a "no increase in employment costs" was losing momentum along their united front. Having jettisoned most of its "8 Point Program," the steel firms were prepared to grant a minimal increase provided that the Union would agree to their scaled-down insistence on work practice changes. On October 1, 1959, in its 15-cent-per-hour-in-two-years offer, the industry had decided that it would not go beyond what it felt was the average productivity increase in steel---2 per cent a year (man-hour per ton shipped). However, it still insisted on setting a price for this total wage-fringe package.

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<sup>14.</sup> Ibid., p. 9.

With the first definite proposal on the table, management stated it in terms which it felt would provide flexibility in arriving at the distribution of the sum between wages and benefits. The steel companies offered a raise amounting to 5.5¢ an hour in increased insurance, pension, and USB benefits in the first year. In 1960, they offered a raise amounting to 7.3¢ an hour in wages (6¢ across the board and 1.3¢ increase in increment) and 2.5¢ increase in fringe benefits.

The Union on October 4, unanimously rejected the offer of the industry. In summing up this offer, the language of the Union differed considerably from the companies'. The 2.5¢ increase in insurance benefits premiums for the first year, the Union contended nullified any increase because of the added 2.5¢ increase in employee contribution to the insurance program. The 0.5¢ increase in pension benefits the Union claimed to be no actual improvement in existing programs. In rejecting the offer the Union made it plain that the program was inconsistent with Union demands.

The International Wage Policy Committee... reaffirms the union's rejection of the industry's totally inadequate offer.

We resent the statement by the spokesman of the industry that we are seeking a "something for nothing" settlement. 15

The Union analysts disagreed with the companies on the package in terms of actual cash value, but more emphatically because of the insistence

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15.

USW, "Wage Policy Statement," Steel Labor, (October 1959), p. 2.

on proposals with respect to local working conditions.

d. **Company Last Offer:** On November 15, 1959, the steel industry's Coordinating Committee released what had become known as the companies' "Last Offer." Individually, members of management went all-out to sell Union members on the contract offer. They spelled out the terms of the offer in every media from nation-wide ads to face-to-face talks with Union leaders on television.

The publication of the offer, after it had been turned down by the Union brought about what had been billed as the "biggest industrial relations battle" in history aimed at an eventual Taft-Hartley vote on the industry's final offer. <sup>16</sup>

#### TABLE IV

#### WHAT THIS OFFER MEANS TO AVERAGE STEELWORKERS <sup>17</sup>

(Employment Cost Based on 1800 Hours Per Year)

	First Year	Second Year	Third Year	Total
Benefits	\$173.00	\$189.00	\$215.00	\$577.00
First Wage Increase	---	\$168.00	\$168.00	\$336.00
Second Wage Increase	---	---	\$168.00	\$168.00
Total	\$173.00	\$357.00	\$551.00	\$1081.00 *

\* Does not include possible cost-of-living which could reach a maximum of \$259.00 over the period.

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16. Tom Campbell, "Behind Industry's Last Offer," Iron Age, (November 26, 1959), p. 53.

17. Steel Companies' Coordinating Committee, "The Steel Companies Offer," Chicago Tribune, (December 8, 1959), F-13. (Display Ad.)

The companies offer was announced as a package worth \$1,081.00 of increased wages and benefits in three years of strike-free agreement (See TABLE IV, p. 20). This offer was quoted as raising employment costs to an average increase of 2.7 per cent or more than 30¢ per hour worked in the three-year period.

Reaction to the proposal was a rejection by the Union's 33 member Executive Board the same day it was proposed in secret meetings. The only difference between this and previous offers, the Union said, was a small pension improvement which the Union's actuary estimated at less than one-third of one cent. In short, they disagreed that a 30¢ package for three years had been offered.

David J. McDonald, addressing the Steelworkers during the TV meeting of the Month on December 13, 1959, pledged that Steelworkers would not submit to "dictatorial demands."

Yes, the offer contains a few economic improvements. It would rule out any wage raise the first year, and grant inadequate increases next year and in 1961. But then a substantial part of the wage increase would be nullified by other contract changes they insist we must accept. Yes, they offer a few concessions on insurance that do not begin to meet the needs of our people, and they hope we will agree to microscopic improvements in our pension program...

And in exchange for the crumbs in their offer they insist that Steelworkers bow down to unilateral changes in hard-won work rules that could wipe out a fifth of the work force--110,000

people--by cutting crews, doubling up on job duties and inflicting a 20 per cent speed-up on the over-burdened employees left in the mills. 18

3. Mitchell Background Statistics Report: The August report of Secretary of Labor James P. Mitchell studied the statistics of annual earnings of wage employees in the steel industry 1957 and 1958 (See CHART I, p. 23). Data provided the government by the American Iron and Steel Institute covered 425,000 wage employees with seniority (the category of the AISI which corresponds closely with BLS category "production workers"). In 1957, the average earnings were \$5,350 and fell to \$4,840 in 1958. 19

Those earning over \$6,000 in both years (30% in 1957; 28% in 1958) remained somewhat the same, while those on the lower scale ( \$3,600 and less) increased from 8% in 1957 to 22% in 1958. Forty-one per cent failed to receive \$4,800 in 1958 as contrasted to 33% in 1957. The Steelworkers Union made use of the government figures to uphold its previous calculations.

The August study issued by the Secretary of Labor also concluded (See CHART II, p. 24) that: Major wage settlements during the first half of 1959, except for a very few (accounting for 4% of the workers surveyed), increased

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18.

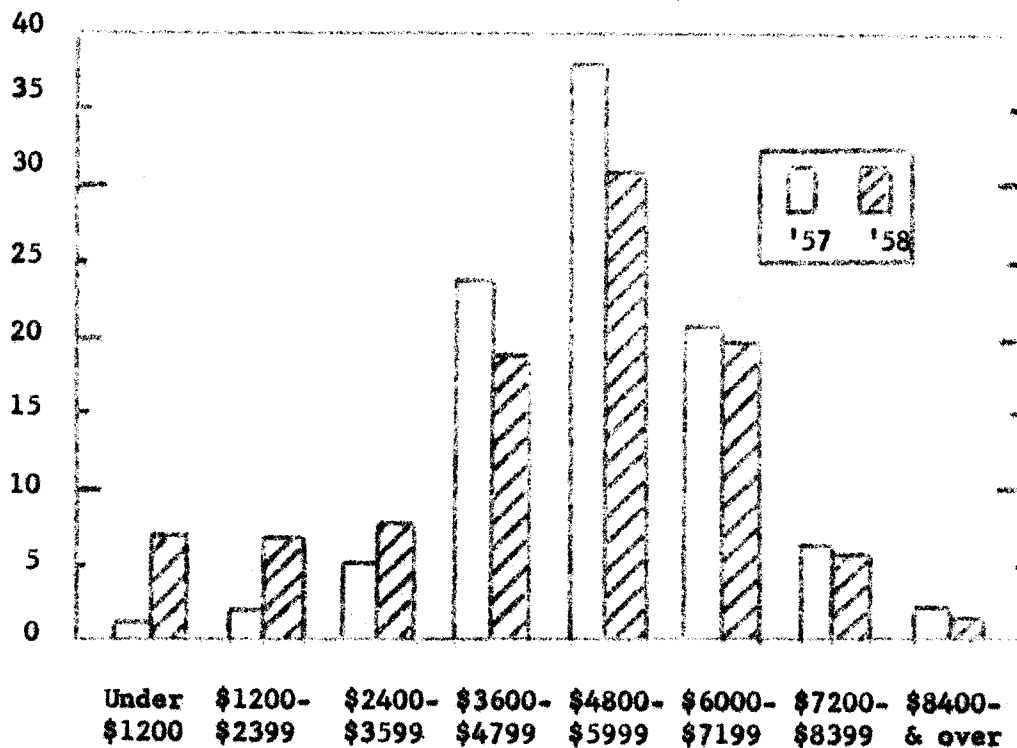
David J. McDonald, "Text of Address: TV Meeting of the Month," Quoted in Steel Labor, (December 1959), p. 12.

19. US Department of Labor, Background Statistics Bearing on the Steel Dispute, (August 1959), Section 6.

**CHART I**  
**ANNUAL EARNINGS OF WAGE EMPLOYEES**  
**IN THE STEEL INDUSTRY <sup>20</sup>**

1957 and 1958

Percentage of Wage Employees



Source: American Iron and  
Steel Institute

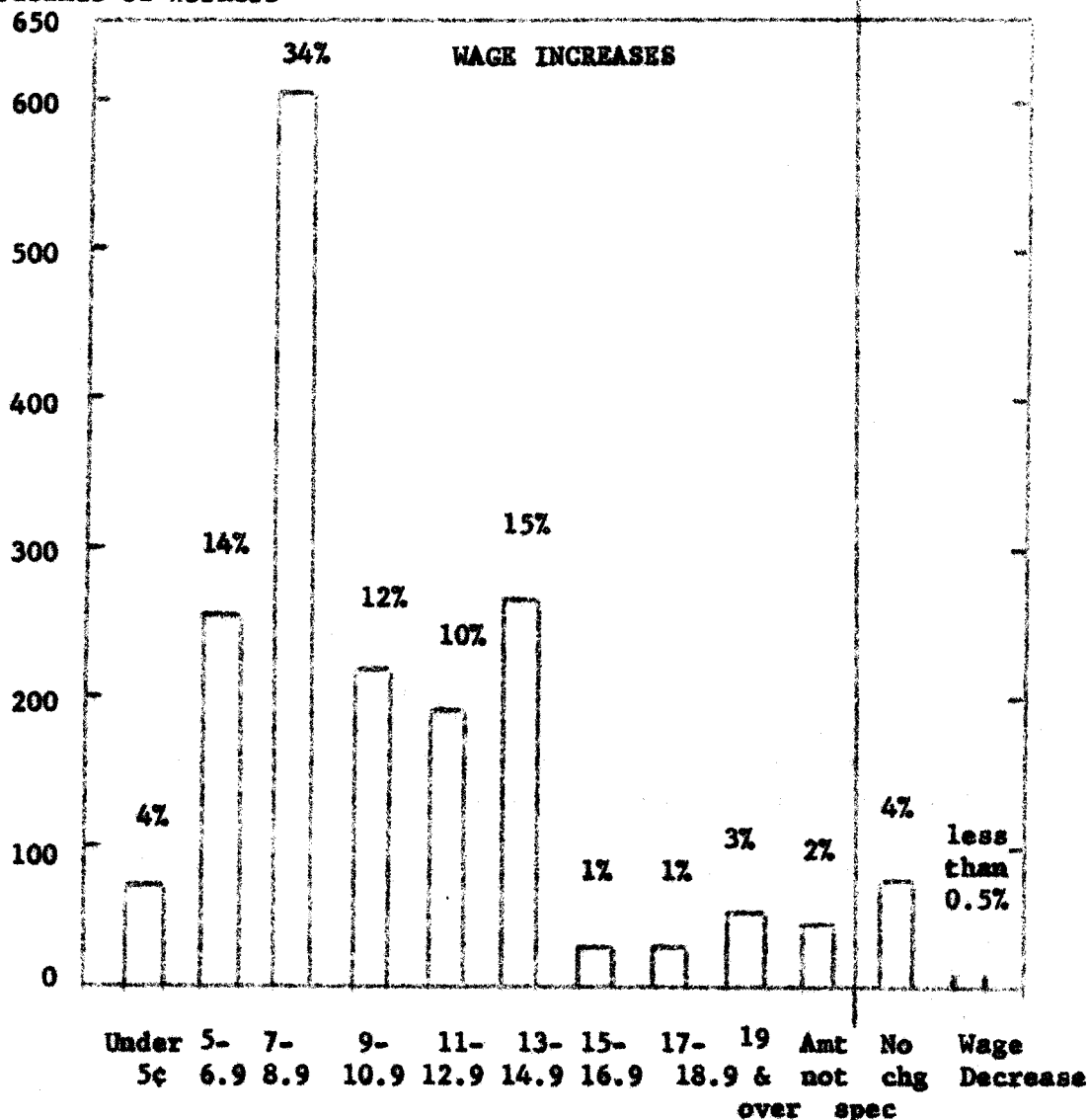
	1957	1958		1957	1958
Under \$1200	1 %	7 %	\$4800 - \$5999	38 %	31 %
\$1200 - \$2399	2	7	\$6000 - \$7199	21	20
\$2400 - \$3599	5	8	\$7200 - \$8399	6.5	6
\$3600 - \$4799	24	19	\$8400 & over	2.5	2

<sup>20</sup>. Ibid., Author's Note: This chart, except for the rough figure tabulation of percentages listed above, in no way represents an original computation by the writer and credit should be given only to the source cited.

## CHART II

SETTLEMENTS IN FIRST SIX MONTHS OF 1959 <sup>21</sup>

Thousands of Workers



In addition, 69% of the settlements also liberalized one or more fringe benefits.

Source: BLS Current Wage Developments Reports, covering negotiations involving 1,000 or more workers. Excludes construction, the service industries, finance, and government, and cost-of-living.

<sup>21</sup>. Ibid., Section 8. Author's Note: This chart in no way represents an original computation. Credit is due only to the source cited.



wages. Half of the workers received increases of 8¢ or more. About 7 out of every 10 settlements also liberalized one or more fringe benefits.

The report cautioned that many of the benefits in other industries received in 1959 had been due to increases negotiated earlier. Automobile workers, for example, received increases estimated at about 6.3¢ an hour. Most aircraft workers received 3% increases, averaging about 7.5¢ in the spring.

In percentage terms many settlements had provided for wage rate increases of 3% or more. Increases of 4 to 5% had not been unusual. The steel industry proposal was 2%.

Among the wage settlements arrived at thus far in 1959 have been: petroleum refining, 5 percent (13.5 cents); pulp and paper 3 - 3.5 percent (7cents); gas and electric utilities, 4 - 5-1/2 percent (mostly averaging 10 - 13 cents); cement, mostly 4.5 percent (10 cents); chemicals, 3 - 4 percent (about 8 cents); northern textiles, mostly 7 percent (10 cents); and anthracite mining, about 5.4 percent (14.3 cents). <sup>22</sup>

The 1956 agreement which the Steel Union hailed as the greatest ever negotiated by the Union had increased steelworkers' wages, including cost-of-living adjustments, by about 45.7 cents (20.3%) or approximately 6.8% per year. This gain was contrasted in the Secretary's report with increases, since the beginning of 1956 in six other major collective bargaining agreements. (See TABLE V, p. 26).

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22. Ibid.,

TABLE V

INCREASES IN MAJOR COLLECTIVE

BARGAINING SITUATIONS <sup>23</sup>

(January 1956-July 1959)

Alcoa	51.6¢	25.1%
Anaconda	23.6¢	11.7%
General Motors	44.5¢	20.6%
Lockheed	46.1¢	23.1%
Rubber (Firestone & Goodrich)	28.7¢	12.5%
Sinclair Refining	44.2¢	18.5%
Steel	45.7¢	20.3%

**B. PRODUCTIVITY ISSUE:**

Even before the parties got to the 1959 bargaining table, the issue of productivity was advanced. Early in April, President Eisenhower, in a press conference, admonished both sides to use statesmanship in their forthcoming negotiations. The President suggested that they give serious considerations to any thought of a price increase and wages, if increased at all, should be limited to the increases in productivity. Two years previous, at a press conference, the President had given similar advice. "The only point I make is this: Government, no matter what its policies, cannot, of itself, make certain the soundness of the dollar, that is, the stability of the purchasing

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23. Ibid., Author's Note: Credit for the data presented should be given solely to the source credited, since it does not represent an original computation of the writer.

power of the dollar in this country. There must be statesman-like action both by business and by labor. " 24

In the 1959 labor negotiations hassle the word productivity had been used constantly, but the difficulty of agreeing on a definition of the term had never been resolved.

1. Union View--Output per Man-Hour Worked: The Wage Policy Committee of the United Steelworkers viewed the rise in productivity as the result of the increase in output (production) with the same input (total man-hours worked). The Union cited Bureau of Labor Statistics' Steel Employment and Man-Hour figures and its corresponding statistics for the National Economy, and offered the following data on productivity advances in steel contrasted with productivity changes in the total national economy. <sup>25</sup> Between 1947 and 1957, according to the Union research department, productivity in the National economy went up 3.9% per year, compounded annually. In the 20-year period between 1939 and 1959, productivity increased by a total of 84.6%. Compounded annually, this was 3.1% a year. Between 1939 and 1959, the Union report continued, the output per man-hour in the steel industry had gone up a

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24. Comments by President Eisenhower at Press Conference, June 26, 1957. Quoted in: U.S. Congress, Senate, Subcommittee on Antitrust and Monopoly, 85th Congress, 2nd Session, Administered Prices--Steel, p.

25. USW, Economic Summary, p. 8., passim.

total of 87.9% for the 20-year period. Compounded annually, this was a rate of 3.2% per year, the Union boasted.

From increases in productivity (output/man-hour) the Union argued for increases in the hourly wage. An increase in wages was the only tangible way the Union thought their members could share equitably in the increases in living standards which the natural growth of the economy made possible.

Mr. Otis Brubaker, head of the Union's research department, testifying before a Senate Subcommittee in 1957, stated that the Union does not claim the increase in productivity in industry to be something derived solely from the expenditure of human labor. Likewise, the Union does not consider it solely the result of increased improvements in technology or in better materials, better machines, or in better management.

This business of the production of Steel, as the production of most items, is a team operation, and unless that team can function well together and unless it can efficiently apply the labor and management techniques both to the machines at hand and to the materials at hand, you will not get increased productivity. And so to that extent at least, all of these factors of production share in the productivity.

The 1959 increase in productivity in the steel industry in terms of output per man-hour was called "phenomenal" by Union leaders. Compared to peak first quarter figures of 1957, government figures showed that productivity

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26. U.S. Congress, Senate, Subcommittee on Antitrust and Monopoly, 85th Congress, 2nd Session, Administered Prices--Steel, p. 445.

in the steel industry in January and February was up 9.7%. This, the Union argued, was an average increase in productivity in the industry of 4.7% per year for the last two years.<sup>27</sup>

In preparing pre-negotiation data for collective bargaining sessions, the Union pointed to the drop off in employment, estimating that 25,000 fewer production and maintenance workers were producing the record tonnages during the all-time peak of 1959 than the annual average of 1956 and 1957. "Production and Maintenance employment was 487,000 in February, 1959... Estimates for April, 1959, put the figure at less than 510,000. This is more than 60,000 below the 1953 annual employment level, and nearly that much below 1951. It is 35,000 below 1955 and 25,000 below 1956 and 1957."<sup>28</sup>

Even some in management found themselves at a loss to explain the advance in 1959 productive output without an increase in employment.

In fact, the rate of productivity was almost embarrassing and business was almost on the defensive. It was difficult to explain soaring production while employment failed to gain at a corresponding rate.<sup>29</sup>

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27. USW, Steelworkers Need for a Wage Increase, p. 8.

28. Ibid., p. 9.

29. Iron Age, (June 25, 1959), p. 63.

2. Management View--Output per All Input Factors: Management

looked askance at the Union's definition of productivity in terms of output per man-hour requirements. There was no doubt in management's mind that output was the quantity of goods and services produced. However, in terms of input, management included, in addition to man-hours, those items considered costs incurred in doing business: machines, materials, capital investment, replacement, and taxes. Only an increase in the ratio of output to all these would increase productivity. 30

In a letter to the Union, the negotiators of the industry insisted that these requirements be included in figuring any productivity index.

There are probably few more misunderstood words in the English language today than the word "productivity." The one thing on which agreement is gradually emerging is that an index of productivity is not simply an index of output per man-hour, because input factors other than physical labor, such as research and development, new tools and equipment, and better management techniques, are the primary source of improved productive efficiency--in a word productivity. 31

The argument was advanced by management that wages of a particular firm should not be geared directly to the output per man-hour in that firm because wages would soon be out of balance with wages paid by firms where

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30.

United States Steel Corporation, Economic Trends in the Iron and Steel Industry, p. 4.

31.

Coordinating Committee, "April 10th Letter to David J. McDonald."

TABLE VI  
INDEXES OF STEEL SHIPMENTS PER  
MAN-HOUR AND EMPLOYMENT  
COSTS PER MAN-HOUR <sup>32</sup>

1940-1957

(Index, 1940=100)

<u>Year</u>	Index of Shipments per 1,000 <u>Man-Hours Worked</u>	Index of Employ- ment Cost per <u>Man-Hour Worked</u>	Memo: BLS Steel Output per Production Worker Man- Hour, Index
			<u>Hour, Index</u>
1940	100.0	100.0	100.0
1941	112.8	111.8	106.0
1942	108.7	123.0	N.A.
1943	105.5	131.5	N.A.
1944	106.0	141.2	N.A.
1945	103.0	144.4	N.A.
1946	103.0	155.1	N.A.
1947	115.1	172.7	121.9
1948	115.4	185.5	122.1
1949	115.4	193.7	124.8
1950	126.9	210.8	136.1
1951	125.2	233.6	137.0
1952	122.0	255.8	142.5
1953	127.1	269.6	143.7
1954	120.5	277.6	140.2
1955	140.5	300.8	156.3
1956	140.7	326.4	157.4
1957	139.2	355.4	155.7
1958	130.1	388.2	154.8 *

\* Estimate by the companies.

Source: American Iron and Steel Institute.

Note: BLS data are not used because by leaving the growing number and proportion of non-production worker hours out of the calculation they substantially overstate the increase in output per man-hour.

<sup>32</sup>. Inland Steel Company, Op. Cit., Table 3, Appendix, P. 29.

Author's Note: The Table was copied directly from the source and in no way represents the computation of the writer.

changes in output per man-hour were greater or less. This would create havoc and inequalities in wage rates between operators of the same skills and the same work in different plants. "Even if year-to-year changes in output per man-hour worked could be measured with a fair degree of accuracy--and they cannot--tying wages directly to output per man-hour worked would result in a violently unstable wage structure"<sup>33</sup> the industry leaders reasoned.

The above Table (see p. 31) was used by management to uphold their contention that productivity in the steel industry had been absorbed by increases in employment costs. While the indices of shipments had increased only 30 points and production worker man-hours 54.8 (preliminary), the index of employment costs, according to the industry figure, had advanced over 288 points in the years between 1940 and 1958.

R. Conrad Cooper, speaking for the industry before the Board of Inquiry established by the President preliminary to the issuing of the Taft-Hartley injunction, stated employment costs were offset only partially by a 2% per year increase in output per man-hour in the steel industry.<sup>34</sup> The 2% was arrived at by dividing the total steel shipments by the total number of man-hours worked each year. However, even this figure, Mr. Cooper

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<sup>33</sup> U. S. Steel, Op. Cit., p. 6.

<sup>34</sup> R. Conrad Cooper, "Statement before the President's Board of Inquiry," Reported in: Bureau of National Affairs, Inc., Daily Labor Report, No. 201, (October 14, 1959), p. E-2.



claimed overstated the actual over-all gains made through improved productivity because man-hours was only one factor in the measurement of productivity.

3. Mitchell Report and Productivity: According to Secretary of Labor Mitchell's report, in the first half of 1959, output "averaged 50 per cent more than in the first half of 1947, but production workers' employment increased less than 1 per cent, or only 2,000, while their man-hours rose nearly 5 per cent." 35

In his report of August, 1959, the Secretary of Labor attempted to give a closer view to the area of man-hour output in the steel industry. The comparison was between output per wage employee man-hour and output per all-employee man-hour. This took into account another dimension of the labor factor input. The report cautioned that while increases in output showed upward trends, the gains in output per man-hour stemmed from many causes and could not be equated to output per man-hour alone. 36

Output per wage employee man-hour in steel, based on AISI reports, increased by about 74 percent from 1940 to the latest 12-month period, fiscal year 1959...

Output per all employee man-hour increased by 58 percent from 1940 to the fiscal year 1959, or somewhat less than output per wage employee man-hour....

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35. U.S. Dept. of Labor, Op. Cit., Section 3.

36. Ibid., Section 9.

In the same context, the Secretary went on to compare output per man-hour in steel and average annual increases in output per man-hour for the total economy during the decade 1947-1957. The findings were as follows: 37

Output per wage employee man-hour in steel increased by an average of 3.0% per year. For the economy as a whole it was 3.7%. The rate for the non-farm economy was 3.0%; for all manufacturing, about 3.1%.

4. Ewan Clague--What Present Productivity Data Signify: Ewan

Clague, Commissioner of the Bureau of Labor Statistics, in tracing the history of the compilation of productivity and other statistics by the government, in a speech before the Chicago Association of Commerce program on productivity, said the effect of the use of productivity statistics in wage negotiations placed stresses and strains on them which they at present are not qualified to bear. "If there is a prospect that productivity data are to be used in strict formula fashion in collective bargaining contracts, then a much more comprehensive statistical program must be developed and perfected in order to serve this purpose." 38

Tying wages to national productivity has drawbacks and shortcomings, the Commissioner cautioned. First of all, while productivity of the post-war period, from 1947-1958, averaged 3% in the private economy as a whole, the

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37. Ibid.,

38. Chicago Daily Tribune, (May 27, 1959), F, Part 5, p. 7.

average reflected widely disparate trends in individual industries. Secondly, while the entire period was marked by an average 3% increase, various years have been lower and others have shown greater increases. To tie wages to ups and downs in a productivity ratio would cause a continuous adjustment in wages and still would give little indication of the contribution of the individual firm or industry to either increases or decreases in national productivity. Then too, gains in productivity cannot be measured by the same yardstick, the Commissioner cautioned. A gain of 3% per annum would be phenomenal in the service industry where gains have been traditionally low. Yet the same 3% would be normal for manufacturing as a whole.

### C. INFLATION ISSUE:

One of the most publicized aspects of the wage-price controversy was "inflation." Neither industry nor union leaders spared expense to inform the public that the other must accept the greater blame for it. Imbued with an almost messianic mission to bring to light the contentions of their collective bargaining position, they felt that the American public must understand their respective platforms with regard to this problem. So far as collective bargaining was concerned, each held the other must hold the line: the union contending that industry must not increase prices; the industry advocating that labor must toe the line on wage demands.

Basically the union-management arguments centered about the core of wages and prices and their relationship upon the limits of tolerance set by advances in productivity. The Steelworkers in its newspaper ad called attention to the profits of the industry especially for the first half of 1959 when they reached \$694 million. These profits the Union called "fantastic," "exorbitant," "record breaking," "swollen," etc. From this it argued that prices have been aggravating the trend of inflation. On the other side, industry flooded its line of communication with denouncements of union wage increases, "288% increases in Steelworkers' wages and benefits in 18 years and 30% increase in shipments per man-hour worked." From this management argued that wages were increasing the pressures in the economy and continuing the upward price spiral.

1. Senate Investigation: During the 85th Congress, 2nd Session (1958), the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, United States Senate, undertook the task of looking into the problem of inflation. Many leaders of industry and labor were called to testify before the Subcommittee headed by Senator Estes Kefauver of Tennessee (D). In his concluding report, Senator Kefauver explained the selection of steel as the first in the hearings of Administered Prices.

In part, the selection of the iron and steel industry as the first to be examined was dictated by its importance in the national economy. Though few consumers enter the market to buy "steel" as such, the products of the iron and steel industry pervade almost every aspect of our everyday lives. Beginning with the elementary necessities of life and extending through all modes of transportation to a myriad of goods involved in our complex industrial system, this industry above all others is basic to our modern economy. And in terms of national defense its importance is equally great. 39

Gardiner C. Means, in testifying before the Subcommittee sounded a note of pessimism about attempts to define the phenomenon of inflation. In his testimony he said that the problem, while inherent in the character of modern business, finds no answer in traditional economic theory. The reason given was that it involves a behavior entirely outside theory. He also said that inflation should be investigated with real effort "to determine the area of discretion and the conditions under which discretion is exercised." 40

During the Subcommittee hearings there was much discussion on the origin of inflationary pressures. Some believed that inflationary pressures reflected the recurrence of demand pulls, similar to those present in earlier postwar periods. Mr. Kenneth Galbraith's testimony conveyed this feeling, even though at the time of his testimony the steel industry was operating below

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39. Estes Kefauver, Report of the Committee on the Judiciary, U.S. Congress, Senate, Subcommittee on Antitrust and Monopoly, 85th Congress, 2nd Session, No. 1387 (1958), p. 1.

40. U.S. Congress, Senate, 85th Cong., 2nd Sess., Op. Cit., p. 85.

capacity. <sup>41</sup>

William McChesney Martin, Jr., Chairman of the Federal Reserve Board, in his opening statement during the summer hearings of the Senate Finance Committee (1958) explained inflation in terms of the problems facing the Federal Reserve System.

...A spiral of mounting prices and wages seeks more and more financing. It creates demands for funds in excess of savings, and since these demands cannot be satisfied in full, the result is mounting interest rates and a condition of so-called tight money. If the gap between investment demands and available savings should be filled by creating additional bank money, the spiral of inflation which tends to be cumulative and self-perpetuating would be given further impetus. <sup>42</sup>

2. Industry Spokesmen--Inflation is "Cost Push": While the Administered Price Hearings were intended to study the possibility of monopolistic tendencies in the steel industry and violation of anti-trust laws, as it turned out, the hearings provided a sounding board for both union and industry leaders. Mr. Roger M. Blough, Chairman of the Board of United States Steel Corporation, attempting to get through to Senator Kefauver regarding the pricing policy of U.S. Steel, sounded a note on the recurrence of the inflationary pressures upon steel prices.

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<sup>41</sup>. Ibid., p. 49.

<sup>42</sup>. William McChesney Martin, Jr., "Winning the Battle," Richard E. Mooney and Edwin L. Dale, Jr., Editors, Inflation and Recession, Doubleday Headline Publications, New York, (1958), p. 17.

A summary of Mr. Blough's testimony before the Senate Subcommittee is as follows: <sup>43</sup> The largest cost of United States Steel is employment costs--whether these costs relate directly to employment costs or to suppliers. There are two alternatives. The first is to reduce costs as rapidly and effectively as possible. The second alternative is to increase prices. United States Steel had done both in an attempt to overtake rising costs. Price increases have averaged 5.6% annually during the 17 year period. The difference between this and costs increases has been made up with greater efficiency, primarily brought about by investment of savings. Price increases have reflected primarily an inflation in costs which they were unable to overcome with greater efficiency.

Mr. Robert C. Tyson, Chairman of the Finance Committee, U.S. Steel Corporation, in a statement also before the Subcommittee cited the relevancy of employment costs to the total factor of costs of U.S. Steel. "The biggest cost we incur in providing goods and services to customers is our employment cost--what we have to pay to or for our employees. In 1956, this one cost alone was 39.7 percent of our sales." <sup>44</sup>

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<sup>43</sup>. Roger M. Blough, "Inflation, and What the Congress Might Do About it," U.S. Senate, 85th Cong., 2nd Sess., Op. Cit., pp. 1038-1042.

<sup>44</sup>. Robert C. Tyson, "Testimony," Ibid., p. 242.

Developing the idea that employment costs since before World War II had been increasing, Mr. Tyson's testimony went on to justify the claim that this was the major push in the spiraling of inflationary tendencies in the economy.

Wage inflation underlies all other cost and price inflation. This is because the wage inflation is surprisingly universal and uniform throughout American industry...

Economic arithmetic tells us that the new cost-push inflation can never be terminated until inflation in the biggest and most basic cost--employment--is terminated. <sup>45</sup>

Prior to the actual bargaining table discussions, the Coordinating Committee for the twelve steel companies sent a communique to the Union requesting a freeze on wages. <sup>46</sup> The freeze was dictated, it said, by the grave concern of the American people for steps to be taken to arrest inflation. The need, the letter went on to say, was not to put more money in the pockets of the steelworkers who were at work. The real need was to avoid further employment cost increases and thus restrain inflation and encourage continued progress essential to increasing employment opportunities for those who were unemployed.

On April 28, 1959, Mr. J. L. Mauthe, Chairman of the Board of the Youngstown Sheet and Tube Company, made the following statement at the

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45. Ibid., p. 245, passim.

46. Coordinating Committee, "April 10th, 1959, Letter".



annual meeting of the company shareholders in Youngstown, Ohio.

Twelve of the leading steel companies, recognizing their responsibilities to the nation and hoping to contribute something toward stemming the tide of inflation, suggested to the president of the union that it join with the companies in renewing, for one year, the present agreement with respect to wages and benefits. 47

TABLE VII  
THE DISTRIBUTION OF THE INCREASE IN  
BUSINESS PROCEEDS - 1950 to 1956 48

(In Billions)

Compensation of Employees . . . . .	\$ 68.3
Corporate Profits (After Tax) . . . . .	- 1.8
Corporate Profits Tax Liability . . . . .	4.1
Income of Unincorporated Enterprises . . . . .	2.9
Inventory Valuation Adjustments . . . . .	2.9
Interest and Rent . . . . .	5.4
Indirect Business Tax and Non-Tax Liability . . . . .	11.3
Capital Consumption Allowances . . . . .	13.8
Other Adjustments to Business New Product . . . . .	0.9

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TOTAL BUSINESS PROCEEDS . . . . . \$107.8

Source: U.S. Dept. of Commerce.

In preparing material for discussion in the 1959 labor negotiations, management placed foremost in importance the problem of inflation and its advance by wage trends in the iron and steel industry. Beginning with an over-

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47. J. L. Mauthe, "Annual Report to Shareholders."

48. U.S. Steel, Op. Cit., p.2. Author's Note: The table was copied from the source and in no way represents a computation of the writer.

all view on the effects of inflation--(the fact, management argued, that since 1940, inflation had reduced the value of the dollar by more than half)--the statement concluded that the reason for inflation has been the imbalance created not by a "demand pull"--or too many dollars chasing too few goods--but by a "wage push"--resulting from rapid increases in employment costs. Supporting their arguments, they offered the above data (See TABLE VII).

In explaining the table, management said that although the total increase in business proceeds advanced almost 108 billion dollars between 1950 and 1956, by far the greater portion was given out in payment to employees (\$68 billion, or about two-thirds of the total). In explaining the expansion of business proceeds they maintained that part of the increase was due to the volume of goods and services sold. The rest was due to increases in prices resulting from increased wages not balanced by productivity gains.

At the beginning of negotiations, the scene of collective bargaining was New York City. Reporters from the major newspapers had opportunities to question the leaders of industry and the union on their views as to whether something could be done to stop inflation in America. Roger M. Blough, who chose to take a back seat in negotiations, was dubious. But he indirectly said that it could be halted. "You haven't know until you try... We think some good will come of it... I don't think any one company or industry can do this job of stemming inflation." 49

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49. Chicago Daily Tribune, (July 24, 1959), p. 1.

Also in the interview, Mr. Blough noted that other industries had been granting wage boosts during 1959. But he voiced a hope that "depending upon the outcome of our stand" in steel, other employers and other mass-production industries would lend a hand in resisting inflation.

This was quite more optimistic than Mr. Blough's testimony before the Senate Subcommittee. In explaining the price increase in July 1958, Mr. Blough cited examples of previous experiences in trying to put an end to inflation. All these, he added, ended in failure.

Going back to the example of 1948, U.S. Steel's President Benjamin Fairless took action to reduce prices. He felt that costs and price spiraling were having ill effect on the economy. In announcing the price reduction, Mr. Fairless expressed a hope that other companies would follow and thus produce a chain reaction curtailing inflation. In making the announcement, he made it clear that, were costs and wages to continue to push ahead elsewhere, the corporation would recind the price reduction and grant increases to its employees.

Feeling that other segments did not respond to the steel industry's efforts, in fact that many others had increased wages and prices, within three months United States Steel recinded its price action and gave its employees a wage increase.

This "noble experiment,"...was not a total loss for it taught us three important truths: First that no one company, no one industry, and no one union can alone stop the march of inflation. Second, that neither the steel industry or any other industry ever sets the wage pattern in America...And third, we learned from the stark statistical evidence, that a cut in steel prices produces no discernible or identifiable effect upon the cost of living. 50

Mr. Joseph L. Block, Chairman of the Board of Inland Steel Company, asserted in a letter to employees that the United Steelworkers Union was seeking an inflationary agreement with the steel industry while management was strong for a non-inflationary one.

The United States has for some time been marching down an inflationary road, a road which at other times and in other countries has led to ruin. It is highly important that this be halted...The union...continues to seek the type of agreement it secured for the three year period just ended. How anyone can sincerely call this kind of agreement non-inflationary I cannot understand. 51

Mr. Theodore O. Yntema, while not connected directly with the steel industry management, summarized the feeling of steel management in his closing remarks before the Subcommittee investigating administered prices in the automobile industry.

...The fact is that bargaining power has swung so far in favor of the giant unions that wages are bound to outrun increases in productivity, and cost-push inflation is certain to result. I do

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50. Roger M. Blough, "Testimony," U.S. Congress, Senate, 85th Cbng., 2nd Sess., Op. Cit., pp. 206-207, passim.

51. Joseph L. Block, "Letter to Employees," (July 25, 1959), passim.

not propose and have not proposed that the unions be reduced to impotence--I urge only that ways and means be found to limit their power to injure the economy.

I agree with you, Mr. Chairman, that inflation is domestic Public Enemy No. One, and I would call it what it is, Wage Inflation. <sup>52</sup>

3. Union Statements--Inflation Caused by Increased Prices: The Union view of the causes of inflation centered about the increases in prices charged by the steel industry. To the proposal by the Coordinating Committee set out in the letter of April 10, 1959, asking the Union to continue "present wages and other benefits, without change, for an additional period of one year beyond June 30, 1959," Mr. McDonald replied that the proposal for a freeze in wage and fringe benefits and the elimination of cost of living adjustments would create an actual reduction in Steelworkers' wages during the coming year. "It is significant that you did not propose or suggest that the price of steel be frozen or reduced during the coming year," <sup>53</sup>the Union President charged.

To match the industry suggestion for a freeze on wages, the Union counter-proposed that, since there could be no inflation without price increases there be no increase in the price of steel during the terms of any agreement

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52. Theodore O. Yntema, Statement before the Subcommittee on Anti-trust and Monopoly of the Committee on the Judiciary, United States Senate, 1958, Ford Motor Company, (1958), p. 68.

53. David J. McDonald, "Letter to Negotiators of the 12 Steel Companies," (April 13, 1959).

which they might reach. The Union President stated that the Steelworkers were ready to conduct their negotiations in the light of this principle. "By adopting this approach we can make a substantial contribution to economic stability and economic progress." 54

Attempting to soften the blow of industry statements to the public on the role of wages in inflation, the Union put forth material to show that increased prices have, if not caused, then at least aided the inflation.

All during the post-World War II period, and particularly since mid-1955, a major cause of price increases has been the profiteering price policies of the price-leading companies in key industries--such as the steel, oil, and automobile industries, in which prices are set, not by competition, but by the dominant firms. 55

Otis Brubaker of the Steelworkers research department, in a prepared statement before the Subcommittee in 1957, charged that the steel price increases have resulted in increased revenues to the steel industry of more than \$3.00 (\$3.23) for each \$1.00 of increased wage and "fringe" costs granted to the Steelworkers for the 11 years ending December 1956. 56

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54. Ibid.,

55. USW, Why a Steel Price Increase in 1957? A Presentation by Otis Brubaker, Research Director, United Steelworkers of America Made Before the Subcommittee on Antitrust and Monopoly of the Senate Judiciary Committee, August, 1957. USW Industry Conferences, Washington, D.C., (January 1958), p. 19.

56. Ibid., p. 9.

In an effort to make a settlement before the June 30 deadline, both labor and management agreed to begin talks earlier to explore each other's thoughts and review some of the facts which they had prepared. After two weeks of sessions, the parties were still adamant on their positions. Mr. McDonald, addressing the National Press Club in Washington, D. C., expressed his ideas on inflation and the possible outcome of the negotiations.

The address summarized the Union leader's contentions that:<sup>57</sup> There was no reason why the outcome of the steel negotiations should worsen the problem of inflation. Unjustified price increases in the past, he cited, contributed to inflation. Current financial reports revealed record profitability that a cost increase several times the size of past settlements could be absorbed and still leave net profits at a record high, with no steel price increase.

The Union pointed out that the cost-of-living figures, which reached an all-time high in October, was further proof of the complete fallacy of the industry's position that earned wage increases cause inflation. The Union pointed out that the Steelworkers had not had a change in rates for 17 months. Still to be considered was the fact that there were more than a half a million Steelworkers who did not earn regular wages during the 116-day strike period. Yet, all during this time, the cost of living had increased. "This... certainly

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57. David J. McDonald, The Steel Industry Freeze on Collective Bargaining, Address to the National Press Club, Washington, D. C., (May 28, 1959).

is a cruel hoax perpetrated by the industry against employees and the American public..." 58

#### D. FOREIGN COMPETITION ISSUE:

The issue of foreign steel competition, while it played a major part in the attack during the early stages of pre-negotiations "sounding off of issues," deteriorated into neglect once the actual strike progressed. Each side denounced the other for responsibility for the influx of foreign steel upon the home markets.

The debate on foreign competition was carried out in the framework of the wage-price controversy. Management charged the major cause of the increase in the importation of foreign steel to wage demands by the Union, far in excess of wages paid to foreign steelworkers. Management circulated advertisements of the American steelworker being displaced by his Russian counterpart. This brought a storm from the Union public relations department. Rebounding, the Union charged that increased prices provided the impetus to foreign steel imports.

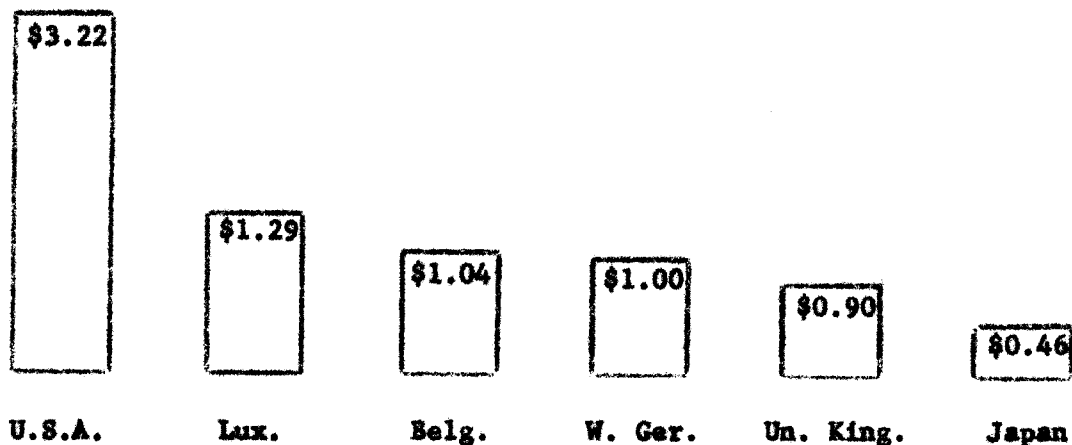
1. Management View--Foreign Steel Advantage in Lower Employment Costs: During most of the postwar period, competition from foreign steel mills had not been serious or threatening because foreign mills were damaged

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58. USW, Steel Labor, (December 1959), p. 2.



## CHART III

STEEL EMPLOYMENT COSTS HERE AND ABROAD <sup>59</sup>

Converted to U.S. Dollars at Official Rates of Exchange

dismantled, or badly run down during the war. Most European countries needed more steel than their domestic mills were capable of producing. Now foreign mills have been rebuilt, modernized, and expanded, ironically too, with American dollars and foreign aid.

Steel management perceived the import as a potential threat to home-produced steel. The greatest single advantage of foreign steel producers, management charged, was in wage rates. Average hourly earnings of workers in American steel companies were three to six or seven times those of

59.

Coordinating Committee, The Steel Negotiations and You, p. 11.  
 Author's Note: This chart has been copied from the source cited above and in no way represents a computation of the writer.

foreign competitors. These data are shown in Chart III, above (See p. 49).

Management argued the reason behind lower prices being quoted for foreign steel coming into American markets was that wages were lower for workers in foreign mills and as a result the costs to foreign producers were correspondingly lower.

a. Foreign Pricing Policy: Mr. Robert G. Welch, Executive Vice President, American Steel Warehouse Association, Inc., after a trip to Europe gave his views on the impact of foreign imports. When queried about the steel import situation, Mr. Welch answered: "There has been entirely too much emotionalism connected with imports. Of course it is hard not to be emotional when your pocket book is directly affected." <sup>60</sup>

When asked: "Foreign mills' pricing techniques seem to be inconsistent. Why is this?", Mr. Welch stated that foreign pricing policy carries with it a philosophy different from that adopted by American mills during the past decades. In effect, they have two different policies: <sup>61</sup> One for home, another for abroad. Their domestic policy is determined by the fact that in countries such as Luxembourg and Belgium they are the biggest employers in the area. When their business slackens, they drop the price even below

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60. "How a U.S. Warehouseman Looks at Steel Import Problem," Iron Age, (July 16, 1959), p. 68.

61. Ibid., pp. 68-69.

their costs if necessary to keep their mills operating as close to capacity as possible rather than pay the relief bills for unemployed workers. In effect, the loss or low earnings of the Belgium and Luxembourg mills takes the place of unemployment compensation without government intervention. Then to make up such losses, they raise prices as high as the traffic will bear during periods of high demand.

Their foreign pricing policy is dictated by the fact that one of the main difficulties the foreign mills have is in making delivery and communications. Therefore, foreign mills feel they must sell at a lower price. The desire of the foreign mills to entrench themselves into the lucrative American market also caused them to vary their prices depending on business conditions. In a time of excessive supply when they must edge their way into the established American markets, they cut the price to undersell American and other competitors. However, once given the free range of the market when demand is great and supply curtailed, their prices jump up to the American level or even exceed ours.

Iron Age Summaries give evidence of foreign pricing policy during the early stages of the 1959 steel strike.

Steel imports are now coming into this country at about 400,000 tons per month. But import prices have jumped sharply since the strike. And importers are not eager to produce steel for orders booked earlier at lower prices. 62

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62. "Summary," Iron Age, (August 27, 1959), p. 111.

By the beginning of September, the pattern of pricing by the foreign mills was well established. They followed pricing practices determined by the demand and supply factors in the market. Foreign steel prices had been edging up since the spring of 1959. During the first week of September, Iron Age reported: <sup>63</sup> That they were about in line with domestic prices. In most cases the base prices on overseas steel were higher, but extra charges were less than those of American mills.

Week by week, the emergence of the foreign pattern took full command. Foreign mills intended to capitalize on their favorable market position, while the American mills were struck, maximizing their profits. "Broker prices for foreign steel are now climbing well over mill prices. This is particularly the case in the Chicago area where prices are well over the mill price and are still climbing." <sup>64</sup>

b. Market Penetration of Foreign Steel: The steel industry, caught in the tight squeeze of the recession in 1957-1958, with home production hitting a low of 47% of capacity in April 1958, felt the penetration of foreign markets more severely. This brought about a searching study by the industry for the extent of the market penetration by steel imports.

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63. "Summary," Iron Age, (September 3, 1959), p. 39.

64. "Summary," Iron Age, (September 10, 1959), p. 245.

CHART IV  
STEEL MILL PRODUCTS - IMPORTS vs. EXPORTS <sup>65</sup>

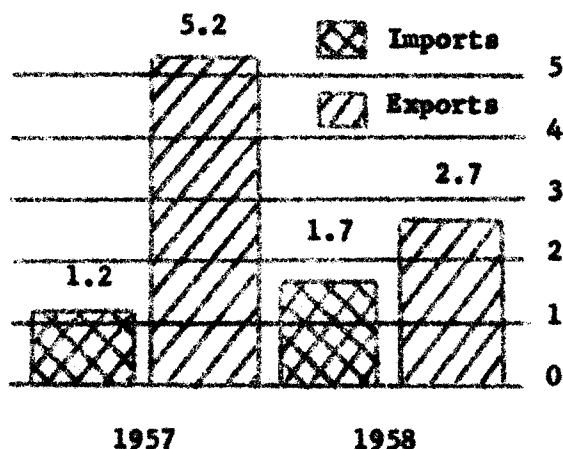


Chart IV was submitted by the companies to show the differences in import and export ratios for 1957 and 1958.

Mr. L. S. Hamaker, Vice President in charge of sales, Republic Steel Corporation, in analyzing the import steel market penetration for 1960, commented that while the foreign steel import tonnage exceeded exports, especially during the strike when the ratio was 4 tons to every 2 going out, the expected ratio for 1960 was estimated at about 2 tons coming in for every 1 ton going out. For this year, Mr. Hamaker predicted that imports would probably maintain last year's rate, especially when the foreign mills again get

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<sup>65</sup>. U.S. Steel, Op. Cit., p. 11. Author's Note: This chart was taken from the source cited and does not represent the writer's computation.

their prices below the U.S. market. "Quite a few customers using imports last year were disillusioned by late deliveries and inflated prices." <sup>66</sup>

2. Union Defense--Hidden Costs in Foreign Wage Bill: The Union defense centered about the argument that not only were foreign wages lower, but also the standard of living. The Steelworkers held that comparisons between hourly wage rates were inadequate in determining unit costs of production for domestic and foreign mills because

...the average foreign company usually has two or three times as many workers, working longer work weeks, than American companies with the same production. The foreign companies' total wage bill could be, and in many instances is, actually higher. Then too, fringe benefits in the form of longer vacations, more paid holidays, family allowances, fuller medical care, etc., raise labor costs abroad far above the hourly wage level. <sup>67</sup>

The Union asserted that foreign labor costs are higher than steel industry spokesmen cared to admit. The reason was that there are substantial "hidden" labor costs in all European and Japanese mills. The Union called attention to the fact that <sup>68</sup> health and insurance are listed as costs in America,

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66. "No Glaring Weakness as I See It, The Iron Age Interviews--Republic's L.S. Hamaker," Iron Age, (April 7, 1960). p. 51.

67. USW, Foreign Steel Hoax, pp. 5-6. Author's Note: The Italics used in the quotation appeared in the original.

68. Ibid., pp. 6-9.

whereas in Great Britain, complete health insurance and pensions are financed mostly out of general government revenues. The Union also pointed out that state unemployment compensation in the United States is a labor cost, but in France, the national government and communes pay for it out of taxes. In Germany, houses have been built for workers by employers, who list the costs under depreciation in accordance with a special law.

Emphasis in collective bargaining in the United States is on high hourly wages. Abroad, the chief emphasis is on social security and other fringe benefits, the Union asserted.

Thus in France these non-hourly wage costs amounted to 59 per cent of the gross hourly earnings; in Italy they were 61 per cent; in Germany, 43 per cent; while in the United States, they were only 19 per cent. <sup>69</sup>

a. Union View -- American Mill Advantage in Material Costs: Not only had the Union insisted that there is no lethal threat by foreign steel production on that produced here, but that the American producer has many advantages over producers abroad. These advantages were not only in terms of technology of American productive capacity and the skill of American workers, but even more so in terms of raw materials. With advantageous location and an abundance of high quality materials: iron ore and

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<sup>69</sup>. Ibid., p. 9. Author's Note: The Italics used in the quotation appeared in the original.

coal, a definite lessening of cost is affected for the domestic producers, whereas most foreign mills were faced with added import costs because of the lack of raw materials in their countries.

The result is that the American steel industry has a cost advantage on materials which more than cancels out the foreign companies' cost advantage on labor. For example, in 1959 the average materials cost in the United States was 39.3 per cent of sales. In Great Britain it was 54.6 per cent, a difference in our favor of 15.3 per cent of sales. U.S. labor costs were 36.3 per cent of sales compared with 21.8 per cent in Great Britain, a difference to our disadvantage of 14.5 per cent.<sup>70</sup>

b. Steelworkers View "Foreign Competition" as a "Phony" Issue: The material advanced by the Union in the arguments on foreign competition came from a documented study prepared by the USW International Affairs Department. Additional support to the Union's views in this area of controversy centered especially on the Hearings of the U.S. Tariff Commission on a complaint filed by four small steel companies who alleged that importation of certain steel wire products was causing or threatening serious injury to American industry making similar products. These hearings were held in Washington early in 1959.

It is interesting to note that the major steel companies did not participate in the hearings--although they were privileged to do so. U.S. Steel Corporation contented itself with an observer. Nor did the American Iron and Steel Institute ask to be heard.

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70. *Ibid.*, p. 7. Author's Note: The Italics in the quotation appeared in the original.



Yet both U. S. Steel and the Institute at the very same time were engaged in a propaganda campaign on foreign competition. In public speeches and in newspaper advertisements they were saying American workers stand to lose work and even their jobs because of foreign competition. <sup>71</sup>

The Union took the steel industry leaders to task on the latter's defense of imports of iron ore, insisting that foreign ore shipments into the country had no effect on American employment. The Steelworkers charged that the industry took this position even though, as the Union claimed, imports of foreign iron ore in 1958 amounted to 41% of domestic production, while imports of steel products amounted to only about 3%. <sup>72</sup> The Union was at a loss to explain what distinction between the effect of imports of iron ore and imports of steel products was being made by industry leaders.

3. Secretary of Labor's Report--Foreign Competition: James P. Mitchell stated that there is a lack of adequate data on both total costs and labor costs per ton of steel products to compare such differences between the U. S. and other steel-producing countries. Besides, he cautioned, even if data were available, they would not reflect differences in total costs because of differences in productive organization. He gave several reasons for this: <sup>73</sup> First, in the U. S. the majority of the basic steel industry is highly integrated.

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71. Ibid., p. 12.

72. Ibid., p. 13.

73. U. S. Department of Labor, Op. Cit., Section 16.

Secondly, in Europe and Japan a large portion of basic raw materials must be imported or transported at high costs.

The report also studied increases in labor costs between the U.S. and foreign producers. The findings <sup>74</sup> showed that labor expenditures increases (including fringe benefits) between 1952 and 1957 were less in the U.S. than in Germany, France, the Saar, Japan, and the Netherlands but were more than increases in Italy, Luxembourg, and Belgium. Hourly expenditures in the U.S. steel industry in 1957 were three to four times higher than those in European countries and seven times Japanese hourly expenditures. These differences were partially or wholly offset by the higher material costs and by lower output per worker both in Europe and in Japan.

#### E. FINAL SETTLEMENT OF WAGE ISSUE:

The final settlement resulted in much "deal bargaining" on both sides. While the agreement did resolve the money wage issue, it failed to settle the supporting issues which colored negotiation discussions between the contending parties. The package covered a 30-month agreement period. In terms of total costs to the major steel firms the net result was a 39¢ package (41¢ for firms which had to do more SUB funding) or a 3-1/2 to 3-3/4% increase in employment costs.

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74. Ibid.,

TABLE VIII

EMPLOYMENT COST OF 30-MONTH STEEL CONTRACT <sup>75</sup>

Insurance	7.04¢
Pension	3.60¢
1st Wage Increase	11.00¢
2nd Wage Increase	10.16¢
* Cost of Living	<u>7.20¢</u>
<b>TOTAL</b>	<b>39.00¢</b>

## Note:

- \* Cost of living can be used in paying for excess insurance cost. Wage increase cost include base and increment increase and is average. All above figures include total cost to the steel firms.

The 4¢ an hour cost-of-living for which the Union was prepared to go to court and sue was traded away into the overall package and enabled the Union to get an immediate increase ranging from 6 - 9¢ an hour. This came from the company's picking up the bill on the insurance package by which they agreed to pay full cost of life insurance, sickness, accident benefits, hospitalization, and surgical insurance.

On the pension plan minimum benefits were increased for each future year of service to \$2.60 a month. In addition, the companies agreed to pay a special retirement payment equal to 13 weeks of vacation pay when workers

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75. Tom Campbell, "Steel Never Had a Real Chance--After the Government Got into the Act," Iron Age, (January 14, 1960), p. 27. Author's Note: The data on this table are not the writer's computations and should be credited only to the source cited.

retire. It was estimated that this retirement payment would average \$1,500-\$1,600.<sup>76</sup> Credits for pension could accrue for 35 years instead of the 30-year maximum provision under the old agreement. This enabled the minimum monthly retirement payment to advance from \$72.50 to \$87.50<sup>77</sup>

In announcing the settlement reached by the industry and the Union, Roger M. Blough, Chairman of the Board, U.S. Steel, said that hourly employment costs in the steel industry as a whole had been rising at an average rate of about 8% a year for the last 20 years. Under the new agreement, the rise expected was about 3-1/2 to 3-3/4% a year, including the proposed cost-of-living increases. "So, instead of going up four times as fast as shipments per man-hour, they will be going up a little less than twice as fast."<sup>78</sup>

Mr. David J. McDonald hailed the settlement as one that should be "good for the country, for everybody" not too much, not too little.<sup>79</sup>

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76. Robert Young, "Key Provisions of Steel Union Contract Defined," Chicago Daily Tribune, (January 7, 1960), F, p. 5.

77. "The Price Steel is Paying for Peace," Business Week, No. 1584, (January 9, 1960), p. 77.

78. Roger M. Blough, "Steel's Top Official Looks at the New Wage Contract," (From the transcript of NBC TV Broadcast, January 4, 1960), U.S. News and World Report, Vol. XLVIII, No. 3, (January 18, 1960), p. 54.

79. "The Price Steel," Op. Cit., p. 76.

While the controversy generated by the productivity issue was not solved, nonetheless, the parties resolved to seek more efficiency in operations. In this connection the WPC stated, "We believe in efficient operation but we don't believe that the only purpose is to promote efficiency. We believe that human welfare is involved. . . " 80

The final settlement brought mixed reaction from the parties involved. Is the settlement inflationary? "The industry says, 'Yes'; the Administration says, 'Not necessarily'; the USW says, 'No'. " 81

The outcome of the foreign competition issue was much the same as its place in the negotiation discussions. A mystery.

Economic pressures bore down on both the companies and the Union. Unless agreement were reached, the Steelworkers were almost certain to resume their strike on January 26, 1960, at the expiration of the court injunction that had halted the original strike. This would mean another payless period for the Steelworkers who had been idled for 116 days. It would mean no business for the steel companies. And it would mean no steel for the nation's economy, which was already short from the previous long shutdown.

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80. "These Are Provisions That Make Your Contract Great," Steel Labor, (February, 1960), p. 12.

81. "Steel Now--Bill Still to Come," Business Week, No. 1584, (January 9, 1960), p. 25.

There were strategic pressures too. Some of these were heavy upon the steel companies. However, for reasons presented in the Introduction, these are not our concern here.

### CHAPTER III

#### THE WORK RULES ISSUE

It was over the work rules issue that most of the heat and bitterness of the strike was generated. Industry spokesmen insisted that they found it too difficult to change operating methods in recent years because of local practices clauses or work rules clauses in most agreements. The Union argued that the rules were no bar to maximum production and what the industry was seeking was industrial dictatorship.

#### A. LOCAL WORKING CONDITIONS AND PAST PRACTICES:

The provisions in question covered thousands of local working conditions or specific practices or customs that had grown up over the years in the many different mills of the steel industry. There was no uniformity in them. Each mill had developed its own.

The master agreement contained a provision protecting the local practices.

The term "local working conditions" as used herein means specific practices or customs which reflect detailed application of the subject matter within the scope of wages, hours of work, or other conditions of employment and includes local agreements, written or oral, on such matters. It is recognized that it is impractical to set forth in this Agreement all of these working conditions, which are of a local nature only, or to state specifically in this Agreement which of these matters should be changed or eliminated.

The following provisions provide general principles and procedures which explain the status of these matters and furnish necessary guideposts for the parties hereto and the Board. <sup>1</sup>

In addition to the provisions contained in the master agreement, some steel companies included a stipulation to further limit the area of determination.

The provisions of this Section are not intended to prevent the Management from continuing to make progress. Any arbitrations arising hereunder shall be handled on a case-by-case basis on principles of reasonableness and equity. <sup>2</sup>

In the case of new machinery or revision of an entire mill operation, the restrictions against work rule changes did not apply. This was guaranteed by the agreement.

The Company shall have the right to change or eliminate any local working condition if, as a result of action taken by Management under Section 3--Management, the basis for the existence of the local working condition is changed or eliminated, thereby making it unnecessary to continue such local working condition; provided, however, that when such a change or elimination is made by the Company any affected employee shall have recourse to the grievance procedure and arbitration, if necessary, to have the Company justify its action. <sup>3</sup>

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1. Agreement between United States Steel Corporation and the United Steelworkers of America, Production and Maintenance Employees, Central Operations--Steel, (August 3, 1956), Section 2-B

2. Agreement between the Youngstown Sheet and Tube Company and Youngstown Metal Products Company and the United Steelworkers of America, (August 5, 1956), Article I-B, Section 2.

3. USS and USW Agreement, Section 2-B-4.



The steel companies' "Eight Point Program" was outlined to the Steelworkers Union in a letter dated June 10, 1959. Briefly summarized are the proposals: <sup>4</sup>

- Point 1    Modify ambiguous and restrictive language so as to enable the management to make operating improvements in the interest of greater efficiency and economy.
- Point 2    Add provisions which will reinforce the contract prohibitions against wild-cat strikes, slow-downs and picketing.
- Point 3    Recognize the functions of management to develop incentives and establish sound standards.
- Point 4    Clarify the right of the companies to change work schedules so as to meet the changing requirements of the business.
- Point 5    Require employees, as a condition of receiving a vacation, to perform some work in the vacation year, and enlarge the period for scheduling vacations.
- Point 6    Eliminate the overlapping or duplication of benefits under various programs, such as severance allowances, supplementary unemployment benefits, insurance, pensions, etc.
- Point 7    Simplify the procedure for establishment of seniority units.
- Point 8    Generally simplify and clarify contract language in order to develop better understanding and cooperation among the working force.

After several months of unsuccessful attempts to win Union acceptance of the "Eight Point Program," the negotiators decided to revise the plan and hoped that this new scaled-down revision would meet with Union approval.

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<sup>4</sup>. Coordinating Committee, "Letter to David J. McDonald, President United Steelworkers of America," (June 10, 1959).

The proposals made by the industry on October 1, 1959, were intended to accomplish two purposes: 1) Management was to take no action which would place undue work burdens on the employees, and 2) the Union would not restrict the companies from taking reasonable steps to improve efficiency and economy in operations.

To these ends the new agreement was to read: <sup>5</sup>

B. This Agreement shall take precedence over any local working condition with respect to terms and conditions of employment covered by this Agreement, and no such local working condition shall interfere with the application of this Agreement.

C. The Management at any plant shall have the right to change or eliminate any local working condition in effect at said plant, provided, however, that the Management will not change or eliminate any local working condition established by agreement in writing hereafter entered into between an International Officer of the Union and the Chief Industrial Relations Executive of the Company, unless the basis or reason for the existence of such local working condition is changed or eliminated.

The industry negotiators also explained that they were willing in any new provision to allow an employee to appeal through the grievance machinery if the change in work practices turned out to be unreasonable or unduly harmful to the worker. The grievance procedure was enlarged to include, that:

In the disposition of the grievance the burden shall be on the employee to establish the existence of a local working condition as defined in paragraph A and, as to the change or elimination

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5. Coordinating Committee, Basis for Settlement of Strike at Basic Steel Plants, (8361-A), "Section--Local Working Conditions," p. 2.

of a local working condition, the burden shall be on Management to justify its action. <sup>6</sup>

1. Management View--Right to Manage: The companies acknowledged before the strike that the old agreement put no roadblocks on their rights to automate or to decide how many men were needed on new equipment, new processes, or new materials. The question was whether they should have greater latitude to change crew size or other established work practices where everything remained the same from a technological standpoint. In addition, the question was how to handle wildcat strikers. Management maintained that it could save millions of dollars more if the companies were not choked by agreement guarantees that protected old habits. <sup>7</sup>

R. Conrad Cooper, speaking before the Board of Inquiry, said the companies were insisting on the right to take reasonable steps to eliminate waste and improve efficiency. This was provided for under the Management clause. However, he pointed out, the agreement provisions were often interpreted by arbitrators to mean that "once an operation has been performed in a certain way, it can never be performed in a more efficient manner without union consent." <sup>8</sup>

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6. Ibid.,

7. A. H. Raskin, Labor: 'Featherbedding' Issue, " New York Times, (October 11, 1959), p. 1.

8. "What the Fact Finders Found in Steel," U.S. News and World Report, Vol. XLVII, No. 17, (October 26, 1959), p. 128.

Dr. George W. Taylor, Chairman of the Board of Inquiry, pressed the industry for specific instances where work rules had created management problems. At one point he asked Mr. John H. Morse, one of the four negotiators for the industry, if he thought that it would be helpful to tell the Board to what extent one company's problems affected others. This exchange followed: <sup>9</sup>

Morse: I doubt very much (if that) would be helpful. I'm afraid the panel would get bogged down in details.

Taylor: Well, we're sure getting bogged down in generalities.

At the 12th Annual Fall Associated Industries Conference held in early October 1959, in Cleveland, Ohio, the topic, "Regaining the Right to Manage," proved irresistible to the 600 labor relations men attending. H. D. Garrett of the General Motors Detroit labor relations staff cautioned that the right to manage was essential for a business to remain successful. "If the right had been lost, it must be regained. If it had not been lost, it must be maintained against constant union efforts to diminish it." <sup>10</sup>

2. Union View--Management Proposes to Break the Union: Union leaders had been caught off guard by the "Eight Point Proposal." Prior to its issue the Union research department busied itself with attempts to expose

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9. New York Times, (October 18, 1959), Part 4-E-1.

10. T. M. Rohan, "'Right to Manage' is Key Issue," Iron Age, (October 15, 1959), p. 63.

management views on the economic issues discussed in Chapter II. However, the original jolt created by the proposal stepped up a new avenue of attack.

The Steelworkers Union spared itself no time or effort to inform not merely its own membership but all American unionism that the proposals presented in the June 10, 1959 letter were intended to break the Union. Addressing the industry negotiators on the following day, Mr. McDonald said that the letter confirmed

...without any possibility of equivocation that conclusion which the members of the union's negotiating team had already reached-- that you are determined to destroy the individual rights which have been carefully and painstakingly developed under our contracts and that you have nothing but contempt for your employees. Your intentions, as are now plain, are to eliminate the substance from our collective agreements. You appear to be willing to permit the union to continue to exist, but only at the price of converting it into a company union and eliminating the protections for our members which we have so painfully obtained over the past 20 years. <sup>11</sup>

Quick to defend "past practices," the Union viewed the proposal as an all-out effort by the industry to "bust" the Union, and set it back into "the abysmal depths of the pre-union era in the mills when the bosses ruled with an iron fist" and take away most of the individual job rights of workers guaranteed under the Union agreement. <sup>12</sup> To each of the companies' "Eight Point"

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11. USW, "The United Steelworkers is Not a Company Union," Steel Labor, (July, 1959), p. 3.

12. Ibid., p. 2.

proposals the Union President concluded: "Our answer to this proposal is that the United Steelworkers of America is not a company Union." 13

Mr. McDonald, speaking before the Board of Inquiry, charged that the industry intended to destroy the cooperative relationship which the Union had tried to create in the industry in the 20 years that the United Steelworkers of America represented its members--a relationship in which both parties have "respect and understanding for the problems of the other and in which neither attempts to demonstrate that it is the master and that the other must bow." 14

The challenging of management's sincerity was enlarged by the Union's recital of instructions which went out in Jones and Laughlin Steel's Pittsburgh District plants by J. W. Imel, Superintendent of the Strip Mill. Union spokesmen quoted from the letter: 15

It will be the intent of all supervision, after full operations are attained, to carefully observe their operations and reduce all forces to a minimum... Due to the tremendous loss of profits during the recent shutdown, we must strive to accomplish maximum efficiency in all departments with the aim to reclaim some of these losses during the balance of the Year's operations.

The Union concluded that the letter, dated November 10, 1959, was sufficient proof of the industry's intent. To agree to such proposals could

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13. Ibid., p. 3.

14. "Statement of David J. McDonald," Steel Labor, (November, 1959) p. 3.

15. "J and L's 'Speed-Up' Program Challenged by McDonald," Ibid., (December, 1959), p. 6.

wipe out a fifth of the work force--100,000 people--by cutting crews, doubling up on job duties and burdening the remaining workers with a 20% speed-up. 16

3. Some Decisions Regarding Local Working Conditions and Past Practices: Having presented the "Eight Point Program" at the bargaining table, management attempted to justify its introduction by referral to decisions rendered by arbitrators over an extended period. The case most frequently referred to on what had become known as the "2-B" issue was the Hoyt-Malloy or Crane Cab Case. The notoriety attached to it and the confusion surrounding the debate over the details of the case has prompted the writer to bypass discussion on it. Instead, the following cases on the local working conditions and past practices are presented for the reader's considerations.

Case 1: 17

Background: The management decided to produce electric weld oil field pipe. The welders on the job were inexperienced. This necessitated creation of a job known as Welder Inspector. The primary function of the job was to inspect the pipe for defects immediately after the welding operation, and report the defects to the welder. After 18 months of production, feeling

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16. "Steelworkers Won't Submit to 'Dictatorial Demands'," Ibid., p. 12.

17. 26 LA 160, In re: Lone Star Steel Company, (Lone Star Tex.) and United Steelworkers of America, Local 4134, March 3, 1956.

the Welders were qualified, management eliminated the Inspector job and re-assigned the duties to the Welders. The contract provided that job classifications and descriptions were to continue unless changed by mutual agreement.

Decision: The arbitrator, Joseph M. Klamon, ruled that on the basis of the evidence, the position and contention of the Union was sustained. The six Welder Inspectors who filed the grievance were to be reinstated on their regular jobs. Contrary to the employer's contention, the duties of the discontinued classifications were still being performed, but by employees in other classifications. The employer did not have the right to unilaterally discontinue an establish classification when he thought this to be in the interest of efficient operations.

Case 2: 18

Background: The Union complained that the Company, without justification, discontinued the practice of assigning one Boiler Maker Helper to each Boiler Maker. It asked that the practice be reinstated, the men recalled, and reimbursed for any loss of earnings they had sustained.

The Company claimed that changes in the nature of the work and the tools used in performing it took place as early as 1948. These changes decreased the Helper's work load and increased their idle time. On June 10,

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18. 27 LA 262, In re: Republic Steel Corporation, Gadsden Plant and United Steelworkers of America, Local 2176, Umpire Case No. 662, Decision No. 70, August 3, 1956.



1954, the Company laid off 5 Helpers and added 2 Boiler Makers. A month later, 4 more Helpers were laid off. There remained 13 Boiler Makers and 2 Helpers. The Boiler Maker Force continued to increase until May 20, 1956, when there were 28 Boiler Makers and 8 Helpers.

The local working condition was eliminated because of the Company's belief that if the one-to-one ratio were maintained between Boiler Maker and Helper, the latter would not have enough work to keep busy for an entire turn and could not give a fair day's work for a fair day's pay.

The Union argued that the work load had decreased before June 1954, when the practice was terminated. It charged that new equipment had been brought in as early as 1946.

Decision: Harry H. Platt, arbitrator, sustained the grievance. He ordered the practice of assigning one Boiler Maker Helper to each Boiler Maker restored. Any Helper who suffered a loss of earnings as a result of the elimination of the practice was to be compensated commensuring with the date of the grievance. The arbitrator also awarded that any Helper terminated as a result of management's action in eliminating the local working condition be reinstated on the Company's rolls without loss of seniority.

Case 3: 19

Background: The Company removed crane operators from cabs of

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19. 31 LA 754, In re: United States Steel, American Bridge Division, Roanoke Plant, (Roanoke, Va.) and the United Steelworkers of America, Local No. 3090, Grievance Nos. A-58-1 and A-58-2, October 18, 1958.

overhead cranes and required the floor crews to operate the cranes by means of pendant controls. The Union charged that the Company violated the local practices and safety clauses of the agreement.

Decision: "I am thoroughly convinced that the Company's action was in violation of Section 13, which provides that the 'Company shall continue to make reasonable provisions for the safety and health of its employees at the plants during the hours of their employment.' The grievance will therefore be sustained, and crane operators returned to their jobs."... Whitley P. McCoy, Arbitrator.

Case 4: 20

Background: The Union contended that the Company violated the agreement by assigning the salaried employees of the A. K. or Planning and Purchasing Department the task of ordering electrical material from the shops and laying off the employees in the bargaining unit. These duties were formerly performed by and belonged to hourly-paid layout electricians of the Electrical Department (E. A.) as part of their work in laying out and installing electrical materials aboard ship. The Union argued that the assignment of such work to A. K. salaried employees infringed upon the bargaining unit.

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20. 21 LA 283, In re: Bethlehem Steel Company, Shipbuilding Division, Quincy Yard, (Quincy Mass.) and Industrial Union of Marine and Shipbuilding Works of America, Local 5 (CIO), Decision No. 148, Grievance No. 2554-A, September 9, 1952.

The Company contended the assignment of such work to employees in the A. K. Department was an exercise of the rights reserved to Management by Article XVII of the Agreement--Management Rights. The lay off in the E. A. Department would have occurred in any case even if the Company had not reassigned jobs, management spokesmen argued.

Decision: The grievance was arbitrated by I. Robert Feinberg. In the opinion of the Umpire, the company did not have the right under the agreement to assign to newly created salaried positions the identical work previously performed by hourly-paid layout electricians. The Umpire did not believe that Article XVII of the agreement permitted the company to "dilute the bargaining unit or to indiscriminately re-allocate duties performed by its employees to the detriment of the Union and of hourly-paid employees." He ordered the men returned to their previous assignment and granted back pay for the time salaried employees performed the work while they were on lay off.

Case 5: 21

Background: The Company, in an effort to cut labor costs by job combining, assigned the duties of Fork Lift Operator to an Expeditor, thus eliminating the former job. The Union protested that the action was in violation of

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21. 31 LA 466, United States Steel, American Bridge Division, Roanoke Plant, (Roanoke, Va.) and United Steelworkers of America, Local Union No. 3090, Grievance No. A-58-3, October 18, 1958.

the agreement which provided that no established practice could be abolished except by mutual agreement.

Decision: Whitley P. McCoy in the Umpire's decision wrote: "I have every sympathy for the Company's feeling that there are far too many seniority units in this Plant, and that they should be reduced in the interest of efficiency of operations... Wages are paid only out of profits, and lack of efficiency diminishes profits. But the contract itself points out the way to accomplish the result, namely through local written agreement. The Contract cannot be circumvented in the name of efficiency." He went on to say that since the lift truck seniority unit could not be abolished at one full swoop except by agreement, neither could it be abolished by degrees except by agreement.

Case 6: 22

Background: The expansion of the No. 3 Open Hearth, bringing the total number of furnaces to 10 in 1953, produced a number of changes in personnel, equipment, and operating procedures. The crew size was not increased to satisfy the men. In August, 1956, an eleventh furnace was put into operation but the company made no crew size change. The men claimed the addition of furnace No. 41 made an already bad situation intolerable and endangered the employees' health and safety.

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22. 28 LA 651, In re: Bethlehem Steel Company, Lackawanna Plant and United Steelworkers of America, Local 2601, Decision No. 323, Grievance Nos. 8592 to 8594 and 8605, January 5, 1957.

Decision: The Umpire's conclusion was that the health and safety was not endangered by the introduction of the No. 41 furnace. The expanded operations had been accompanied by improvements in the physical lay-out and in equipment. The arbitrator, Ralph T. Seward, also found that there was still substantial periods of inactivity and that the men were not being subjected to excessive fatigue. The grievance was denied.

Case 7: 23

Background: The aggrieved were employees who worked on the Stock House job when it was operating on a 3-turn-a-day basis. The Stock House Run was to keep the blast furnace stock house supplied with various ores, rock, sinter, and other materials used in the blast furnaces.

In 1952, a diesel locomotive was regularly assigned to the Stock House Run. It not only eliminated many of the delays that were unavoidable in steam engines, but was more reliable from the standpoint of availability and was more efficient. At the same time, it confined the Stock House locomotive's movements to switching and making up trains or cuts in the yards adjacent to the blast furnaces and relieved the run of the duty of collecting materials from stockpiles widely scattered about the yards and of weighing the cars. These

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23. 24 LA 336, In re: Republic Steel Corporation, Gadsden Plant and United Steelworkers of America, Local 2176 (CIO), Decision No. 15, Umpire Case No. 27, Grievance No. G-1239, March 25, 1955.

last two operations (gathering and weighing), the company estimated, consumed approximately 50% of crew time before the changes were made.

In May, 1953, when the third turn was taken off, the affected crews were reduced or laid off.

Decision: Harry H. Platt ruled that under a contract providing that the employer may change or eliminate existing working conditions if the basis for their existence is removed by action taken under management rights, the employer did not violate the agreement. In eliminating the third shift on intraplant steam engine runs by substitution of diesel for steam engines and changes in locomotive equipment the employer was within his rights to rearrange crew members' duties and reorganize the duties of the remaining employees. Since the changes made were incident to the employer's substitution of equipment, these were proper action under the management right clause.

Case 8: 24

Background: Prior to the installation of a trough displacement mechanism, two workers were assigned to each machine. With the change, management reduced from two to one the number of men in certain classifications assigned to the machines. The union protested that this was an established practice and could not be changed. The contract provided that existing job

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24. 23 LA 164, In re: Lone Star Steel Company, (Lone Star Tex.) and United Steelworkers of America, Local 4134, (CIO), August 27, 1954.

classification may not be changed except by mutual agreement.

Decision: "With respect to the reduction in the number of Trough-men assigned to work on each machine, the record is abundantly clear that the installation of the trough displacement mechanism obviated the need for more than one person per machine in that classification." ... Harold M. Gilden.

Case 9: 25

Background: The Weigher's principal function was to see that the different heats of steel were kept identified as they passed through the heating and rolling operations. He was to tag the test pieces cut from each heat. In addition, along with the Billet Yard Chainman and the Chief Stocker, he was responsible for recording the quantity of billets which were charged in the furnaces.

The elimination of the Weigher's job was made possible by the installation of a communication system connecting the various furnaces with the operating stations on the mill. All other duties were parcelled out to various other workers.

Decision: The arbitrator, Ralph T. Seward, ruled, that: After making technological changes which rendered unnecessary the principal function of the job, the employer was within his rights to abolish the job and reassign the

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25. 26 LA 146, In re: Bethlehem Steel Company, Lebanon Plant and United Steelworkers of America, Local 1374, Decision No. 191, March 1, 1956.

remaining minor duties of that job to other employees in the bargaining unit who could handle the additional duties. "There is clearly nothing...which limited management's right to install its working procedures once these systems were installed. As the evidence and arguments do not support the claim of contract violation made in this case, the grievance must be denied."

Case 10: 26

Background: Management held that though it did not have the authority to make minor changes in job description it retained full authority to change job content. The Union argued that Section 9-E "Rates of Pay" prohibited changes in any job where the content of the job was not changed as much as one full job class or more. Section 9-E prescribed the procedure for changing job descriptions where job content changed by one grade or more. No procedures were prescribed for changes less than this.

Decision: J. Fred Holey ruled that management was within its rights since there was no contract provision prohibiting its action. The grievance was accordingly denied.

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26. 26 LA 325, In re: United States Steel Corporation, Tennessee Coal and Iron Division and United Steelworkers of America, Local 4203, Grievance No. 252, 121, March 30, 1956.



Case 11: 27

Background: Under an established practice when a vacancy was created on a shift, it was filled by moving up others in the crew. Management held that it had all the repairmen it needed to do the work. The normal complement of repairmen was on hand to replace the absent repairman. The "excess" repairman was carried only to the extent that his services might be needed, management held. Management stated that there was nothing in the agreement requiring it to "make" a vacancy or to assign more men as repairmen than were actually needed.

The Union held that management must follow its usual practice of temporarily up-grading other employees of the crew to repairman's classification to replace an absent regular repairman. They contended that it was an established practice and could be dismissed except by mutual consent.

Decision: The permanent arbitrator under the agreement, Ralph T. Seward, ruled, that: "Though the Union was leaning its case on the 'practices' provisions of Article II, Section 3, it could point to no instance in which Management had ever done what the Union is here demanding that it do. As the grievance is completely without contractual support, it must be denied."

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27. 22 LA 580, In re: Bethlehem Steel Company, Lakawanna Plant and United Steelworkers of America, Local 2604 (CIO), Decision No. 65, Grievance No. 1079, May 13, 1954.

Case 12: 28

Background: On August 22, 1958, a number of employees signed a grievance protesting the Company's action of "arbitrarily and unreasonable" contracting out work to other concerns that could be and previously were performed by company employees. At the time there were a number of employees who had been laid off for about one and one-half years or more for allegedly lack of work. The Union charged that the Company was in violation of the agreement by inducing a partial lockout of a number of employees who would otherwise be working were it not for their practice of subcontracting.

The contract contained a management clause. Section 11 Management, "The management of the Company and the direction of working forces, including the right to hire, suspend or discharge for proper cause, or transfer, and the right to relieve employees from duty because of lack of work, or for other legitimate reasons, is vested exclusively in the Company, provided that this will not be used for the purposes of discrimination against any member of the Union."

Decision: The Court was unable to find in any provision of the contract that the Company had surrendered its managerial rights to contract out work,

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28. Prentice Hall Inc., '59 American Labor Cases, "United Steelworkers of America, AFL-CIO, Plaintiff, v. Warrior and Gulf Navigation Co., Defendant, U.S. District Court, Southern District, Alabama, Southern Division, No. 211, December 22, 1958," Prentice Hall, Inc., Engelwood Cliffs, New York, (1959), pp. 333-335.

or to confine in an arbitrator the right to review cases regarding the contracting out of work which could be performed by its employees.

The Court ruled that the contracting out of repair and maintenance work, as well as construction work, was strictly a function of management not limited in any respect by the local labor agreement.

#### B. SCHEDULING AND HOURS OF WORK ISSUE:

During the 1957-1958 recession the curtailment of business activities caused operations to slide below 50% of steel industry capacity by April 1958. Economic pressures during the recession were heightened by industrial frustrations over the scheduling of production.

The 1956 Master Agreement (Section 10, D, 3) provided that changes in schedules could be made by the Company at any time except where local management and the Union had joined in either written or oral agreements that schedules could be changed only by mutual approval. The agreement further stipulated that any changes made after Thursday in the work week preceeding that in which the changes were to become effective had to be explained to the grievance or assistant grievance committeeman of the department affected. Changes in such schedules were limited to "breakdowns or other matters beyond the control of Management. " 29

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29. Agreement USS and USW, Section 10, D, 3.

The steel industry's 1959 proposal requested the above clause be changed to read: "breakdowns, requirements of the business, or other matters beyond the control of the Company." 30

Penalties were placed upon management for changes in schedules after their posting on Thursday. The old agreement provided:

Should changes be made in schedules contrary to the provisions of Paragraph 3 above so that an employee is laid off on any day within the 5 scheduled days and is required to work on what would otherwise have been the sixth or seventh workday in the schedule on which he was scheduled to commence work, the employee shall be paid for such sixth or seventh day worked at overtime rates in accordance with Section 11--Overtime-Holidays. 31

The companies also asked that schedule changes be made without incurring these penalties and that those companies now required to post schedules on Thursdays be allowed to make changes, without penalties, as late as Friday. 32

1. Management View--Firms Pay for Work Not Done: The companies believed that it was in the best long-term interests of both the employees and the companies that the Union accept the scheduling proposals to meet the requirements of business demands. The suggested changes would relieve the

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30. Inland Steel Company, Official Text, "Exhibit E," p. 9.

31. Agreement USS and USW, Section 10, D, 4.

32. Coordinating Committee, "Letter to David J. McDonald, October 3, 1959," (8361), p. 2.

companies from paying overtime rates when a schedule was changed and employees did not work more than 40 hours in a work week. The ability to satisfy customers and meet customers' demands without additional costs required the above change in the agreement, management argued.

W. D. Maxwell, editor of The Chicago Tribune and moderator of the December 13, 1959 debate between Joseph L. Block, Chairman of Inland Steel Company, and David J. McDonald, USW President, asked the former to explain how the agreement prevented management from making economic progress as long as it contained the scheduling provision.

... There is a clause that has obligated the companies to pay money for work not done if schedules were changed. Now, sometimes customers cancel orders and change orders and a mill cannot operate, let's say on Monday, if it was scheduled on Monday, but will start on Tuesday. As a result of this clause, if the mill operates on Saturday, then it is considered an overtime day even though the operations have only gone 40 hours, which is the standard work week. 33

2. Union View--Men Would be Put on 24-Hour Call: Management's proposal on scheduling practices met with strong resistance from the Union, as another infringement on the "hard-earned" rights of the steelworkers. It looked upon the provision as a surrender to management giving it a unilateral right to change or alter work schedules without advance notice to employees. If the industry succeeded in its plan, the Union said that its "rights to enforce

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33. Chicago Tribune, (December 14, 1959), F. Part I, p. 3.

decency and justice for employees would be tossed out the window and thousands of workers would be silenced. " <sup>34</sup>

The rights asked by the companies, the Union charged could be enlarged to include: <sup>35</sup> 1) scheduling employees on split work weeks; 2) posting schedules on Friday rather than on Thursday; 3) changing schedules after they were posted on Friday; 4) permitting higher company officials to tell department superintendents to change schedules after they were posted on Friday.

The Union inferred that such scheduling proposals would deprive the men of the opportunity to take care of their family and personal obligations beyond their jobs in the steel mills. The Union objected because "...it would be like a jumping jack--in and out of bed, with no opportunity to make plans for the week-end; no opportunity even for the man to take his family to church. " <sup>36</sup>

3. Some Cases on Scheduling and Hours of Work: Management insisted that it was hamstrung in attempts to bring about economical measures in scheduling because of local practices and/or agreements. The 1959 management proposals were brought to the bargaining table to expand the latitude of determination of previously surrendered management rights.

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34. USW, Steel Labor, (October, 1959), p. 2.

35. Ibid., pp. 4-5.

36. Chicago Tribune, (December 14, 1959), F. Part I, p. 3.

Listed below are a number of cases dealing with scheduling and hours of work which might prove helpful to the reader for a more intelligent understanding of the many variations involved in this issue.

Case 1: 37

Background: In 1948, a list of 21 Assortors in the Finishing Department was made giving their plant, department, and occupational seniority dates. The "Agreement on Assorting Rome" document set forth that those on the list as of 12-13-'48 were to be considered as the normal work force and any girls coming into the department after the date would be considered over the regular work force and would be released if the work slackened, before the "regulars" would be placed on short work weeks. The document also stated that the original 21 would "share" the work as provided for in the agreement.

Though the document had not been signed by management, the latter used it in the disposition of a previous grievance (N-57, October, 1951). Hence this, the Union held, constituted a local working agreement--Article I-3-c.

The aggrieved employees contended that management violated the agreement when it scheduled them for a four-day (32-Hour) week before laying off all junior employees of the department, even though the plant units supplying

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37. 31 LA 668, In re: Republic Steel Corporation, Niles Plant of the Warren District and United Steelworkers of America, Local Union No. 1338, Grievance No. N-134, September 20, 1958.

the assorting room were on a 32-hour work week. The union asserted that the local working conditions agreement protected the regular assorting room employees' full work week from dilution by the "Warren girls" who were transferred to the assorting room during periods of temporary increased workloads.

The Company denied any violation. It said that the local working agreement was entered into to equalize 5-day work weeks for a basic complement of regular Assortors when the supplying units in the Finishing Department were on a 5-day week. Since the Finishing Department was on a 32-hour week, management claimed no wrong in scheduling the Assortors for the same distribution of work as provided in the master agreement--Article 10, Section 6.

Decision: M.S. Ryder, the referee, wrote: "It would seem to this Arbitrator that the managerial right to schedule the work is not really seriously impaired or inhibited if the working condition in question is observed at a time when the cutting lines are scheduled for a 4-day work week." He continued on to say that assuming that the rescheduling lessened the supply of work to the Assorting Room, then a layoff of the junior Assortors should take effect, and then if the work was still in short supply for the senior Assortors composing the normal working force then a distribution of the work on a basis of less than 40 hours per week could take place under the terms of Section 6 of Article 10, to the point, if necessary of a 4-day, 32-hour work week.



Case 2: 38

Background: The Union stated that a 20-year practice of scheduling senior employees in the Cold Mill Shipping Department for 5 days work as long as the unit itself was scheduled for a 40-hour week constituted a "local agreement" even though it was oral. The Union introduced testimony supporting its allegation that regardless of the fluctuations of operations from day to day within a scheduled work week the senior employees were retained for 5 days on their scheduled jobs and the junior employees were bumped to lower jobs or laid off.

The Company said the basic agreement stated that the company may schedule its employees as it saw fit and may change its schedules from time to time as the requirements of business dictated. It claimed it was following the agreement provisions for dividing available work among all employees during production cutbacks and protecting the rights of junior employees in the department.

Decision: The Board of Arbitration, Sidney L. Cahn (Chairman; Harry S. Holman (Company-appointed arbitrator); and Francis I. Stark (Union-appointed arbitrator) ruled that the practice relied upon by the Union constituted a "local working condition" within the meaning of Section II-B of the agreement. The

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38. 31 LA 855, In re: Jones and Laughlin Steel Corporation, Pittsburgh Works and United Steelworkers of America, Local 1843, Docket No. 150-C-56, Case No. 148-405, Grievance No. NS-5-25-57, December 4, 1958.

senior employees were entitled to demand that the condition remain in effect.

Case 3: 39

Background: During a slack period the company unilaterally established "short week" schedules of 32 hours or more. The Union contested the company's action. It held that the company was required by the agreement to obtain the Union's consent to share-the-work schedules, and senior employees should not be included in such arrangements.

Decision: The arbitrator, Ralph T. Seward, ruled that the company was within its rights. He interpreted the agreement to mean that the employer was required to obtain union consent only if average scheduled hours of employment in the seniority unit fell below 32 hours per week. This he said indicated the parties' recognition that union consent was unnecessary if average scheduled hours equaled or exceeded 32 hours per week. The agreement's seniority provision, the arbitrator thought, was not to be interpreted as limiting the employer's right to schedule employees on share-the-work-basis, since to do so would render the work-scheduling provisions superfluous.

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39. 29 LA 397, In re: Bethlehem Steel Company, Bethlehem Plant, (Bethlehem, Pa.) and United Steelworkers of America, Local No. 2599, Decision No. 369, Grievance Nos. 7830 et al., October 3, 1957.

Case 4: 40

Background: On or about February 10, 1957, the reduction in work at the department resulted in only one motor inspector being scheduled to work on the 12-8 turn at the Hazelwood Cold Finishing Department. Previously, the motor inspector was accompanied by another person when he was behind the panels changing fuses and lights or when stopping and starting motor generators.

The Union argued that eliminating the helper was unsafe and unhealthy. Management argued that in the routine inspection of the substation, performed by one motor inspector, he was not required to make repairs if it would not be handled in a safe way.

Decision: Sidney L. Cahn, who handled the case, ruled that the motor inspectors were not being required to work under conditions that were unsafe beyond the normal hazards inherent in the operation. He cited that the duties involved entailed some risks whether done by one or two or more employees. The grievance was denied.

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40. 30 LA 395, In re: Jones and Laughlin Steel Corporation and United Steelworkers of America, Local 1834, Docket No. 124-C-56, Case No. 8-188, Grievance No. NS-3-A-5-57, April 3, 1958.

Case 5: 41

Background: During a slack period in the company's operations, management removed the Millwright Helper and the Motor Inspector Helper from the 3-11 and 11-7 turns. The company reasoned that the crew reduction was brought about by a reduction of a two furnace operation to a single one.

The Union contended that a local agreement was established and the Helpers could not be removed since they were the regular crew.

Decision: Harry H. Platt denied the grievance because the basis for the local working condition which the Union relied upon had been changed by the furnace operation reduction.

#### C. WILDCAT STRIKE ISSUE:

The work rules issue was further enlarged by the controversy over the wildcat provisions of the 1956 agreement. While management strongly insisted that changes were necessary, the Union persisted that changes were unnecessary provided that both parties to the new agreement lived up to the spirit of that agreement.

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41. 31 LA 217, In re: Republic Steel Corporation, Thomas Plant and United Steelworkers of America, Local 2382, Decision No. 163, Case No. 1794, Grievance No. TH-435, June 18, 1958.

1. Management View--Existing Provisions Ineffective: Throughout the dispute the steel companies contended they had lost production of 729, 200 tons of metal because of 788 wildcat strikes in the three year term of the 1956 agreement (See Table VIII). The industry asserted this proved existing contract prohibitions against unauthorized walkouts were ineffective.

TABLE IX  
WILDCAT STRIKES IN STEEL INDUSTRY <sup>42</sup>

Year	No. of Stoppages *	Loss of Steel Production Net Tons **
1956	335	213,900
1957	305	368,700
1958	<u>148</u>	<u>146,600</u>
	788	TOTAL 729,200

\* AIS form 109

\*\* AISI

The old agreement did give the companies the right to discharge wild-cat strikers by virtue of the "No Strike" provision.

There shall be no strikes, work stoppages, or interruption or impeding of work. No officer or representative of the Union shall authorize, instigate, aid, or condone any such activities. No employee shall participate in any such activities. <sup>43</sup>

<sup>42</sup>. Inland Steel Company, Economic Trends, Appendix, Table 14, p. 33. Author's note: This table in no way represents a calculation of the writer and should be credited only to the source cited.

<sup>43</sup>. Agreement, USS and USW, Section 4--"Responsibilities of the Parties," Subsection 3.

However, companies objected to some of the decisions rendered by arbitrators in cases which were sent to arbitration. <sup>44</sup> For example, the wild-cat strikers could be reinstated if it was found that the management had failed to discipline previous strikers whose guilt was as great or greater than the employee discharged.

The companies felt that any employee who violated the agreement should alone be held responsible for his action and should not have the right to file a complaint that others were not disciplined. Management proposed: <sup>45</sup>

Violation by an employee of any provision of subparagraph (a) of this Section shall constitute proper cause for discharging him, irrespective of whether other employees who violated the provision of this Section are disciplined.

In their initial proposal the companies demanded that the arbitrators be deprived of any power to mitigate the discipline and management be given the exclusive right to choose which strikers should be disciplined and how. To combat any possible reversal in arbitratative decisions, the following clause was proposed. <sup>46</sup>

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<sup>44</sup>. "Industry Dropped 8 Major Demands in Steel Accord," Wall Street Journal, (January 7, 1960), p. 4.

<sup>45</sup>. Inland Steel Company, Official Text of Inland's Offer, Article III, Section 5, Subsection (d), p. 9.

<sup>46</sup>. U S W, Steel Labor, (October, 1959), p. 4.

Should it be determined by the Board that an employee has been suspended or discharged for cause, the Board shall not have jurisdiction to modify the degree of discipline imposed by the company.

In addition to having an unreviewable right to discharge employees engaged in wildcat strikes, the companies desired exclusive economic measures in disciplining unauthorized strikers whom they might wish to reinstate. Some of these measures were:<sup>47</sup> 1) forfeiture of 8 hours vacation pay for each calendar day on which the employee violated the "No Strike" provision and 2) loss of one credit unit of Supplementary Unemployment Benefits.

2. Union View--Provisions Adequate, Changes Unjustified: On December 13, 1959, David J. McDonald engaged in a public debate on television with Joseph L. Block, Board Chairman of the Inland Steel Company. During the course of the airing of their disagreement, the USW President commented that the provisions in the existing agreement were adequate in handling wildcat strikes. What the agreement did not provide, the Union chief charged, was the determination of responsibility in the provocation of the strike.

...I defy any leader of management to tell me one wildcat strike which has not come about as a result of the deliberate violation of the existing labor agreement by management... We think this thing is deliberately caused by management and the union had absolutely no recourse at all. This thing goes on all the time. ... We don't want wildcat strikes--our people want to work.<sup>48</sup>

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47. Ibid.,

48. Chicago Tribune, (December 14, 1959), F. Part I, p. 3.

The Union attacked the management proposal for unlimited jurisdiction in wildcat disputes. The acceptance of this would reduce the rights of workers to nothing. By granting management a free hand in determining either discharge or reinstatement with loss of benefits would add to the discriminatory practices against union workers and result in "severe, unwarranted penalties on wildcats." 49

3. Some Decisions Regarding Wildcat Strikes: The area of the wildcat issue was complicated, as the previous issues were, by referrals to conditions often clouded or overshadowed by particular details which the parties attempted to generalize. In their arguments these overgeneralizations complicated the practicability of reaching a mutual basis for discussion.

While management complained that the existing provisions offered little hope for success in handling the work force and necessitated change, the Union protested that the provisions were sound and any change in them would accomplish nothing more than another surrender.

To complete the discussion on the wildcat strike issue the writer has selected the following decisions.

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49. U S W, Steel Labor, (December, 1959), p. 10.



Case 1: 50

Background: An employer discharged the union president for being absent from work without proper excuse in violation of an established plant rule. It was contended that this discharge constituted an unfair labor practice. The local agreement had a "No Strike" provision.

The employer was advised by the union's parent international that the strike was unauthorized. When the union continued the strike, the employer discharged 9 of the 11 union officers and committeemen for having instigated the strike.

During the strike four employees participated in serious picket line misconduct, including the overturning of a truck carrying nonstrikers into the plant, rock throwing, and mass picketing. When the strike ended, the employer reinstated all strikers, except the four. The reason given was their picket line misconduct. The four discharged employees appealed the case to the National Labor Relations Board.

Decision: The General Counsel ruled, on an appeal from the interim decisions of Regional Directors in complaint cases, that: The Employer was entitled to discharge those employees whom it considered responsible for instigating a strike in violation of a no strike agreement and to reinstate some

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50. 41 LRRM 1329, Case No. F-253, January 20, 1958. Bureau of National Affairs., Labor Relations Reference Manual, "Administrative Rulings of National Labor Relations Board, General Counsel."

of those discharged and lawfully to refuse to reinstate others. The employer's decision not to reinstate the four employees in question was based on their participation in violence and other serious picket line misconduct and not on their union membership.

Case 2: 51

Background: An investigation, ordered after the receipt of a complaint from the police department of large-scale gambling in the plant during working hours, pointed to a union steward as the "Banker" in a "Numbers Game" conducted on the company premises.

The individual was given the option of being discharged or resigning in lieu of discharge. Upon his refusal to resign, he was terminated by the employer.

Four other individuals, including the Union's financial secretary and three union stewards, held a meeting at which it was decided to call a strike. On instruction from the financial secretary, the three union stewards urged employees to walk off their jobs. Many responded to the strike call and the work stoppage lasted until the next day. After an employer investigation to fix responsibility for the strike, the union's financial secretary and the three

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51. 42 LRRM 1335, Case No. F-479, July 24, 1958, BNA, Labor Relations Reference Manual.

stewards were terminated for instigating a violation of the contract's "No Strike" clause.

Decision: The General Counsel refused to issue a complaint charging the employer with discrimination against union members. Termination of the four who were leaders of the strike called in violation of a "No Strike" clause in the Union collective bargaining agreement with the employer did not violate the N L R A , since the strike was not an activity protected under the Act. The Counsel ruled that there was no evidence that the strike leaders selected for discharge because of participation or non-participation in any protected activity but on the contrary, were in violation of the terms of the agreement containing a "No Strike" clause and a detailed grievance procedure. Had the charging individuals felt they had been unjustly discharged, they should have had recourse to the grievance machinery guaranteed in the contract.

Case 3: 52

Background: The union members had a meeting earlier in the day and decided that no new furnaces would be fired until pending grievances were settled. Donald Pfiel, while not having attended the meeting, had been informed of the men's decision. When ordered to fire up No. 41 furnace, he refused

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52. 28 LA 648, In re: Bethlehem Steel Company, Lackawanna Plant and United Steelworkers of America, Local 2601, Decision No. 318, Grievance No. 8629, May 9, 1957.

and was sent home. The other workers informed supervision they would not work until Pfiel was returned to the plant. A grievance meeting was held. The men were told that the grievances would be aired as soon as possible. Pfiel was returned to work. The men charged all the furnaces except No. 41. Management informed the workers it wanted all the furnaces, including No. 41 furnace operating. Since no agreement was reached, all the furnaces in No. 3 Open Hearth were tapped and let to cool. An orderly shutdown was effectuated.

In the meantime, dissatisfaction spread to the workers at Nos. 1 and 2 Open Hearths. Pfiel was discharged. With further talks, he was suspended for 30 days. The Union held that he was insubordinate, but that management made him a scape-goat for the affair which was out of his control since he did not attend the meeting at which the men decided not to charge No. 41 furnace. They argued that he should be reinstated without penalty. They likewise charged that the men did not pull a wildcat strike, rather management had shut down the No. 3 Open Hearth.

Decision: Ralph T. Seward, permanent arbitrator under the agreement ruled that in Article XVIII, the parties had agreed that management may suspend and later discharge any employee who violated its provisions. On the evidence before him, the Umpire said he had no choice but to find that when Pfiel refused to charge the No. 41 furnace, he engaged in an action which interrupted or interfered with work or production, within the meaning of the Article and was subject to discharge. That other employees may also have been guilty

cannot excuse his own violation. No basis was found for setting aside or modifying the 30-day suspension imposed upon Pfiel in lieu of discharge and therefore the grievance was denied.

#### D. FINAL SETTLEMENT ON THE WORK RULES ISSUE:

As part of the October 1, 1959, offer to increase wages and benefits the companies called upon the Union to join in making mutually satisfactory amendments to the agreement in four general areas: 53

1) To incorporate the 17¢ per hour cost-of-living adjustment which the workers had now received under the provisions of the 1956 agreement. However, management insisted that provision for future changes either up or down be eliminated.

2) Management also insisted on the right to take reasonable steps to combat inefficiency through revision of the work practices clause. The employees were guaranteed the right to resort to grievance and arbitration procedures. Under this formula, management would be required to justify the reasonableness of its action.

3) The Union was asked to allow management flexibility in scheduling of work to conform with the requirements of business.

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53. Tom Campbell, "The Main Points of Steel's Offer," Iron Age, October 8, 1959), p. 152.

4) The final amendment was to deter wildcat strikes by permitting the discharge of any employee engaged in such action. In addition to the responsibility on the part of the individual workers, the companies insisted on clarifying the responsibility of local unions in respect to wildcat strikes occurring within their jurisdiction.

In the November 15, 1959, companies' "Last Offer," as a solution to the local working conditions dispute the companies offered to accept the Union's proposal for a joint study committee. But if that step did not result in a mutually satisfactory solution by June 30, 1960, the issue would be turned over to binding arbitration. <sup>54</sup> Of the contract changes originally proposed by the companies, only those relating to local working conditions, wildcat strikes, and scheduling had been retained. This was much the same as had been proposed by the negotiators in the proposals announced in early October.

In the final agreement incorporated into the master contract, the parties agreed to retain the local working conditions clauses of the old contract with the following additions: <sup>55</sup> 1) The settlement of a grievance prior to arbitration under the provisions of the agreement would not constitute a precedent in the settlement of grievances in other situations. 2) The parties, as a matter of policy, would encourage the prompt settlement of problems at the

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54. "Companies' Latest 2-B Offer," Iron Age, (November 26, 1959), p. 53.

55. USW, Steel Labor, (February, 1960), p. 9.

local level. 3) The parties established a Joint Committee headed by a neutral chairman to study the local working conditions and their application and make recommendations to the parties "for such action as the parties may mutually agree upon" by November 30, 1960.

The agreement also established a Human Relations Committee of the industry, the Union, and the public to make long-range studies. Through the studies and work of the committee, which might have been patterned after the Industry Council Plan, the Union hoped to achieve its goal--"That goal is a strike-free industry." 56

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56. Ibid., p. 2.

## CHAPTER IV

### ANALYSIS AND CONCLUSIONS

In the foregoing description of the contending views of management and labor in the steel controversy, which presented both the basic rationale and details of their arguments, the writer has reserved analysis of their conflicting views. This analysis is formulated in the present chapter.

#### A. ANALYSIS OF THE WAGE ISSUE:

Recession cut-backs in steel production caused either direct lay-offs for many steelworkers or reduction in their hours worked. These downward adjustments in wages caused earnings to fall below expected yearly increases. As a result, the earnings of steelworkers in 1958, despite wage increases in mid-1958, fell below earnings in 1957. Hence, to insure a level of earnings in 1959 which would eradicate some of the shortcomings in 1958, the Union was forced to demand a substantial wage increase.

The Union made extensive use of both the Heller and City Family budgets to prove its point that a wage increase, based on 1958 earnings, was needed. However, certain biases are inherent in the use of annual earnings. The argument was pressed that the annual earnings of all steelworkers had been considerably lower. However, the assumption was made in the presentation of these facts that each one of the steelworkers was responsible for the



total requirements of the budget for a family of the same size--four. The facts however, have not shown this to be true. The Mitchell Report stated that the number of dependents claimed by steelworkers in 1958 averaged 2.1.<sup>1</sup> For a meaningful comparison, then, a new approach in compiling data for evaluating earnings and family budget is needed.

The Union argued that a freeze on wages until mid-1960, as suggested by management in its initial proposal, would put the workers behind increases gained by other workers. In the final resolve of the controversy, however, the Union accepted a no-wage increase until December 1, 1960. To some this might seem to indicate a reversal of what the Union demanded. However, when placed into perspective, there was an actual increase in take-home pay through the 6.5¢ absorption of insurance and pension costs by the companies.

That wages do influence prices and vice versa is a fact that has been taken for granted. However an analysis of their influence is not a simple proposition. Wages depend on the relationship of other factor costs, the efficiency of operation, and so on.

So too, even though wages come out of current production and not profits, it is commonplace that high profits invite the attention of Unions. The \$694 million profits of the steel industry in the first half of 1959 was used by the Union in wage increase demands. This means that some of the gain might

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1. U.S. Department of Labor, Background Statistics, Section 3.

be absorbed by higher labor costs. In ordinary business calculations wage-cost increases are regarded as irreversible, unless they are offset by more efficient operations.

The management argument that there was no need for an increase in steelworkers' wages because they were already ahead of most workers, taken at face value as it was presented in the controversy, seems to the writer to be irrelevant. When viewing wages paid to workers the fact must not be overlooked that the demand for workers and the supply of workers with the skills and training needed are determining factors in what wage scales will be paid for specific occupations. The Mitchell Report cautioned that average earnings for an entire industry are influenced by the proportion of workers at various skill levels and that this proportion varies widely among industries. "Basic steel employs a relatively large proportion of workers in skilled occupations." <sup>2</sup> Such comparisons between the various rates paid workers having the same job titles must be interpreted with caution because of differences in job content and working conditions even for the same job title in different industries.

An increase in skills and responsibilities of workers in steel can also be viewed in terms of capital investment per production worker, which has continued to climb in the industry in recent years, from about \$9,000 in 1947

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2. Ibid., Section 5.

to about \$20,000 in 1957.<sup>3</sup> Thus it has more than doubled in a decade.

In the arguments over the hourly wage the writer feels that the Union failed to point out that such payments are meaningless in themselves. In addition to viewing hourly wages, take-home pay must be considered. The Union research department failed to expose the fact that payroll deductions-- income tax, state gross taxes, Social Security, insurance, hospitalization and accident, and pension premiums--take a considerable amount from the workers' earnings. These must be considered for meaningful analysis and for placing wages in correct perspective.

1. Final Money Wage Settlement: The final wage settlement which was claimed as a union victory also provided for some gains for the steel industry. The agreement provided that wages would not be directly increased until December 1, 1960, and again on October 1, 1961. Then too, there were limitations set on the practice of tying wages on costs-of-living even to the point that some benefits which might result from increases in the Index could be applied to insurance costs if these proved to be greater than expected. The final settlement avoided any retroactivity to the workers dating back to the expiration of the old agreement in June, 1959.

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3. Ibid., Section 2.

Mr. McDonald told the WPC delegates how he felt after signing the new agreement. He stated <sup>4</sup> that the Steelworkers had remained united and strong throughout the 116 days of sacrifice and privation and that the contract just signed was the "greatest and the finest labor contract in the history of steel." He pointed out that one of the long-range goals--dating back to the founding of the United Steelworkers--had been a non-contributory insurance for its membership.

The settlement established in the basic steel industry, and for the first time in any American industry, that every Steelworker retiring on pension would receive a special retirement payment equal to 13 weeks' vacation pay, including any vacation he might have coming for that year. This meant that every Steelworker, when he retires, will receive about \$1,500 in cash and a substantially-improved, non-contributory monthly pension for the rest of his life in addition to Social Security.

The Union tried to impress this fact upon a doubting public.

To those sceptics who traditionally point out how much wages are lost when workers are forced to strike, we now wish to point out that this payment, which is in the bank for every Steelworker, alone substantially makes up for all the wages lost during our long struggle without considering all of the other economic improvements. <sup>5</sup>

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4. "Strike-Free Industry," Steel Labor, (February, 1960), p. 2.

5. "Wage Policy Group Praises Rank and File Courage, Unity," Ibid., p. 4.

2. Equating Productivity: Today we hear a lot about the benefits of and the equating of a higher standard of living with an increase in productivity.

It is a paradox of the times that just when advancing technology holds out new prospects for rising incomes and greater leisure for an increasing number of workers that the differences between union and management over the productivity increases took on the appearance of a power struggle. Unquestionably, there is room for both steel management and steel labor to hold differences of opinion on the concept of productivity.

However, to include all the requirements suggested by management (viz., total costs in the productive process regardless of whether direct, indirect, or non-direct) would cause any attempts at measuring productivity to meet with failure. More than that, no statistical formula or index has been devised to weight the relative importance of such items in a productivity mix adequately.

When the simple labor productivity index is used, the implication should be there--(and it sometimes is, but usually stated as an after-thought)--that the particular index is not to be taken as a measure of labor's contribution to total output, rather, it is a measure of the effectiveness with which labor requirements are combined with other inputs not represented in the index. Suspicion and indecision will always remain as to how much of the increase in productivity has been due to labor's efforts rather than to other factors.

Since the time has not yet arrived from a conceptual, data collection, or computation standpoint, according to Mr. Clague,<sup>6</sup> for the inclusion of all factors of productivity, it is senseless to argue that they must be included without doing something about it. Then too, the use of man-hours requirements as a sole indicator of productivity will never do. For either side to press its views on wages in collective bargaining negotiations based upon present productivity statistics or upon the need to include other factors will accomplish no further purpose than widening their differences and fanning their emotions.

In this regard the statistics devised by management in the comparison between increases in Steelworkers' wages (283%) and increases in steel shipments (30%) over the past 20 years failed. The steel industry does not operate on the basis of steel shipments. Within the framework of production planning procedures, decisions are based primarily upon current and prospective orders. To these are added allowances to cover rejections and scrap losses. In some mills these allowances account for between 10 and 20% (depending upon the specific product) additional production, some of which never goes to customers, but flows back into the production of new steel.

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6. Chicago Tribune, (May 27, 1959), F, Part 5, p. 7.

3. Inflation--"Cost Push" or "Demand Pull"? In view of the voiced concern of the steel industry spokesmen for the American public and their self-appointed mission to inform the public of the evils of inflation, the steel industry leaders had themselves become sensitive to the reaction of the public and the displeasure of the government. The Administered Price Hearings in Washington, conducted by the Senate Subcommittee under Senator Kefauver, were particularly distasteful to industry leaders.

The problem of inflation is one about which the American public's ire can be aroused. Once the pocket book is affected, the anger mounts. What is vitally needed is a sane approach to wage and price determination. The steel problem was accentuated by the fact that no detailed analysis has yet been made of the real and exact influences of wages and prices in any given industry as these influences spread or are carried out through the entire economy.

The inflationary spiral, even with pushes from costs increases, must be considered a demand spiral on the basis that there must be sufficient demand to take higher-priced goods off the market. In so doing, the process is kept moving upward.

Some economists doubted the validity of singling out either labor or industry, or the two jointly, as responsible for inflation. They doubted further that either is capable of curing it. However, each of the parties in the steel controversy tried to evaluate its position in collective bargaining to see

whether or not something could be done to prove that it was not responsible for the inflation.

4. Foreign Competition--A New Market Mechanism: One of the main features of the free-enterprise capitalistic system is the factor of competition. In fact, competitive forces are looked upon as the life-blood of the system. It is through them that the free market is protected.

Competition results in the substitution of other products and services for those previously demanded. Steel has replaced many materials in products.

Many industries have felt the decline of their markets as competition has resulted in the substitution of other products for theirs. The coal industry can be cited as an example. Where for many years coal was used as the basic fuel not only for home but also industrial and commercial consumption, the coal industry had competition from the products of oil, gas, and even oxygen, and now, nuclear power.

The replacement of steel products over the years has not been a major problem. Ingot capacity since 1950 has continued to grow from about 90 million ingot tons to 140 million ingot tons in 1959. Efforts to replace steel automobile bodies with fiber glass have proved to be both costly and unsatisfactory. Even attempts by the plastics industry to invade the domain of steel in other products has not proved effective, save in the area of tubing and some paneling.



Hence, little importance is placed on the possibility of mass replacement of steel in industry, at least for the present.

Shifts to other producers in foreign markets is looked upon, however, as a much more formidable threat. The American Steel Industry expressed much concern that looming over the horizon is a new threat--that of foreign steel penetration of the American market. The rebuilt European and Japanese mills are considered a definite concern to the American Steel Industry.

However, the validity of statistical data employed in presenting this part of the issue is questionable. True, the statistics showed the disparity between foreign steel imports and domestic exports. The context of the times in preparation for a possible strike and in hedging in anticipation for a possible strike, the writer believes, caused even further accentuation of the disparity between imports and exports than might have occurred had times been different.

#### B. INDUSTRY GIVES UNION "POPULAR" ASSISTANCE:

The Union denounced the Eight Point Proposal suggested by the industry as a step toward the restoration of "industrial dictatorship" and the wiping out of gains won by the Steelworkers over a 20 year period. The result was a unification of the rank-and-file behind its leaders such as had not existed when the sole question was whether they should strike for more money. <sup>7</sup> Some

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<sup>7</sup>. A. H. Raskin, "The Rout of Big Steel," New York Times, (January 6, 1960), p. 43.

observers claimed that the steel negotiators handed McDonald a gold-plated assist when the program was brought to the bargaining table. "This comes from steel officials as well as union people. The argument is that the rank and file feeling, which has wavered from Mr. McDonald is now against the companies." 8

The Union as early as July had publicly admitted that the "Eight Point Proposal" had helped to weld the Steelworkers into a united front and permitted no backward step.

When the corporation openly revealed how they hoped to wreck the union as well as job rights of the individuals, this was the impetus needed--if one were needed indeed--which touched off a positive, constructive battle against return to the dark ages of company unionism. 9

It's ironic that the work rules or local working conditions under attack by the industry were largely established by the companies in line with their own standards, not the Union's. The contract (Section 2-B-1) prohibited the establishment of a working condition by employees. In addition, the Steelworkers' Union wasn't powerful enough to dictate working rules two decades ago when it first began to represent the workers.

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8. Tom Campbell, "Talks Break Off; It's Up to Ike," Iron Age, (October 1, 1959), p. 44.

9. USW, Steel Labor, (July, 1959), p. 2.

Dr. Taylor, after listening to the arguments from both union and management officials, concluded that, if the testimony presented were correct, the companies had a rather wide latitude in introducing technological changes and adjusting manpower. This situation, he thought, many other industries would give a great deal to have. <sup>10</sup>

An analysis of the united front of the steel industry in the work rules issue has presented a major problem to the writer. A dilemma was created in the author's mind over the exercise of social responsibilities by the individual leaders of the industry on the work rules issue. While the author agrees with steel management that the negotiations arrangements with the four man bargaining team were effective in balancing the solidarity of the Steelworkers, he cannot comprehend the position of those leaders who continued in the arrangement once the wage issue was relegated to a secondary position in agreement negotiations. Especially incomprehensible was the avoidance of the exercise of social responsibility of those producers who were not involved in the "2-B" controversy because the agreements they had signed in 1956 did not include the controversial 2-B clauses.

The question arises: Why did the companies insist that changes in work rules were necessary as a precondition for talks on wage increases? The writer believes that the steel companies had two reasons for seeking more

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<sup>10</sup>. New York Times, (October 18, 1959), Part 4, Section E, p. 1.

flexibility: 1) the pace of technological advance in the steel industry had been mounting and was bound to forge ahead at an even greater rate, and 2) that, if wage increases were denied, the workers would seek outlets in work rules.

There is also doubt in the writer's mind on the exercise of social responsibility by the Union over the work rules issue. The negative stand of the Union regarding changes in work rules and the problems affecting the steel industry prevented negotiations from arriving at their logical conclusion, namely: An early settlement. While the writer realizes that the Union was caught off guard and felt it was hit "below the belt" by the industry proposals, he does not think that the Union fought back with positive punches. It kept its position in the ring by dodging. In doing so, its objective to get the Steelworkers back to work was delayed until the fifteenth round.

#### 1. Management Rights--Provided Agreements Did Not Invalidate Them:

The writer can sympathize with the management contention that often times changes in operations could result in more efficient operations and savings of large sums of money if it had a free hand in directing operations. This is essentially the argument advanced by management in four cases cited under "Decisions Regarding Local Conditions and Past Practices." In 26 LA 160 (pp. 71-72) management considered the workers skilled and capable of performing the duties of inspection of their own work. However, when first assigning them, management placed inexperienced workers as welders. Case 2, 27 LA

262 (pp. 72-73) again showed the failure of management to consider seriously when making changes in the nature of work and tools used in performing it. The arguments advanced by management in 21 LA 283 (pp. 74-75) have been typical. Readjustments in the work force during slack periods call for detailed planning and knowledge of the agreement. The statement that lay-offs would have occurred in any event even if the Company had not reassigned jobs holds no weight. Again, 31 LA 466 (pp. 75-76) shows that where contractual agreements stipulated the procedures for job combination, the parties were obligated to confer and mutually agree upon a disposition.

All of these problems could have been remedied, even before they occurred, by more astute planning of the original operations and more attention to training in procedures of the operations. To neglect these because of the determination to hurriedly manufacture a product can cost the management far more than the profit received from the operation.

There is evidence to support the union view that when changes in technology were made, the grievances were denied by arbitrators. In 24 LA 336 (pp. 77-78) the management decision to change both the equipment (replacing steam engines with diesel locomotives) and the crew size was upheld. Another grievance, 23 LA 164 (pp. 78-79), was lost by the Union who contended that the company violated the agreement provision that existing job classifications could not be changed except by mutual agreement when the management reduced the work force after the installation of a trough displacement mechanism.

The Union likewise failed to receive a favorable decision in 26 LA 146 (pp. 79-80). The arbitrator upheld management's right to eliminate jobs because of technological improvements in mill practices.

Where the contract had not placed limitations upon management decisions for change, the arbitrator's reward upheld management rights. The decision in 26 LA 325 (p. 80) upheld the full authority of management to change job content where the agreement had not prohibited its action.

The decision rendered in 22 LA 580 (p. 81) upheld management in determining crew size and the disposition of "excess" work force, since nothing in the contract agreement required it to make vacancies or to assign more workers than the minimum required.

In USW v. Warrior and Navigation, No. 221, (pp. 82-83) the arbitrator's decision upheld management's right to subcontract even though the work could have been performed and in fact had been performed by its own employees. The reward was based upon the Management clause which rendered the decisions of management absolute in directing the working forces even to the extent of laying off workers and subcontracting the work.

In the two remaining cases on local conditions and past practices which the Union felt violated the provisions of the local agreement, the one (31 LA 754, pp. 73-74) was sustained and the other (28 LA 651, pp. 76-77) was denied. The decisions, however, were based upon the safety and health clauses and not specifically on management's rights, local conditions, or past practices,

even though the parties had argued their positions along these lines.

2. Scheduling and Hours of Work: Two cases (31 LA 668, pp. 87-88 and 31 LA 855, pp. 89-90) were won by the Union because specific or tacit agreements were entered into by management and the employees regulating the share-the-work-programs. The arbitrators in both cases recognized the employees' grievances only to the extent that management had previously recognized certain employees' rights as superior to those of other employees.

In 29 LA 379 (p. 90) management's right to schedule all employees on a 32-hour or more a week basis was upheld because management's right to do so had not been surrendered by previous agreements. The two remaining cases (30 LA 395, p. 91 and 31 LA 217, p. 92) upheld management's exclusive right to schedule hours of work to comply with slack periods of production.

Thus the scheduling of hours of work as viewed from these decisions was not a "hide-and-seek" game but based upon either written or oral agreements established at the discretion of industrial management.

The management argument that it was "paying for work not done" falls under its own weight. The writer had been in the employ of a major steel producer for six years in the Order and Scheduling Department. Based upon his years of experience in scheduling production, he concludes that if management did "pay for work not done" it was because of either managerial or clerical miscalculations. If such were the case, the need was not for changes in

contractual clauses but in organization.

3. Management Prerogatives in Dealing with Wildcat Strikes: The writer is at a complete loss in evaluating management's insistence on changes in agreement provisions dealing with wildcat strikes. Even in the limited study of cases, he finds all the decisions favorable to management. Thus in 41 LRRM 1329 (pp. 97-98), the General Counsel ruled that the employer was within his rights to discharge union officials who, in violation of the contract, called a wildcat. Furthermore, the Counsel upheld the company's right to reinstate the officials except those who were guilty of picket line misconduct. Case 42 LRRM 1335 (pp. 98-99) also upheld the discharge of union officials who instigated a walkout in violation of a "No Strike" agreement, even though others had participated and escaped discipline.

28 LA 638 (pp. 99-101) is most interesting because the decision upheld the mitigated discipline of the employee as imposed by the company. The arbitrator totally disregarded the contention of the Union that other participants were not disciplined. This decision rendered each employee guilty of his own violation. Thus management had guarantees that the revisions they were seeking in the new agreement were unnecessary because arbitrators had already rendered decisions which could be used as guideposts in dealing with wildcat strikes.



The writer feels management's insistence on tightening penalties for wildcat strikers was a logical demand only if management won the battle directing changes in work rules. Wildcat strike situations under the old agreement were often outgrowths of management changes in working conditions which the employees felt were not justified. The inability of the companies in handling such situations would have mounted to disastrous proportions if the reins on wildcat strikes were not inclusively restricted and management figured that a new agreement changing work rules would have invited an even greater occurrence of wildcat strikes.

If the data on wildcat strikes under the 1956 agreement (p. 93) as submitted by management is factual, the writer feels that the matter was being handled more effectively as the parties acclimated themselves to the agreement. Thus in 1956, the industry was threatened by 335 work stoppages resulting in the loss of 213,900 tons of metal. Yet by 1958, the number of wildcat strikes was reduced to 148 and lost tonnages to 146,600 tons.

The new labor agreement assured no major disruption of production for a two and a half year period instead of the 20 months the Union originally sought after the agreement with Kaiser Steel in late October, 1959.

4. Final Settlement on Work Rules: The outcome made it plain that the industry had tried to accomplish too much too quickly and in the process had almost suffered total defeat. In its plea to the American public the

industry had counted on support for its stand. However, the industry's most conspicuous tactical miscalculation was in the encyclopedic coverage of the "Eight Point Proposal" it had advocated for ending manpower waste and cutting employment costs. Even the scaled-down program on work rules, scheduling, and wildcat strikes intensified the unification of the rank-and-file behind the Union leaders.

In evaluating the effect of the settlement, Mr. Roger M. Blough said they could not be thought of merely in terms of dollars, machines, markets, and profits, nor in such abstract economic concepts as inflation, purchasing power, and productivity. He concluded that they are meaningful only when "expressed in terms of people--their hopes, their aspirations, their job security, and the welfare of their families. " 11

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11. "Blough's Remarks on Steel Agreement," New York Times, (January 5, 1960), p. 18.

APPENDIX  
CHRONOLOGY OF  
1959 STEEL CONTROVERSY

- April 10 - Industry proposes one year contract "freeze" which would preserve 17¢ cost-of-living adjustments won in 1956 contract but proposed no further automatic advances.
- April 13 - Union rejects proposal but suggests that negotiations get under way as soon as possible.
- May 5 - Negotiations open in New York City with United States Steel Corporation. Others follow.
- June 10 - Industry proposes "Eight Point Proposal" contract changes as preconditions for negotiations on wages.
- June 25 - United Steelworkers of America asks President Dwight D. Eisenhower to appoint a Board to determine facts regarding wages, prices and productivity. The request is declined when industry would not go along with the proposal.
- June 30 - Deadline of 1956 contract is extended to July 15 at the request of President Eisenhower.
- July 1 - Wildcat strikes break out in lake shipping and in steel plants. David J. McDonald orders men back to work. Negotiations suspended until wildcat strikes end.
- July 6 - Negotiations resume in New York City.
- July 8 - President Eisenhower renews plea that both sides continue negotiations to find a reasonable answer and that operations continue during negotiations.
- July 11 - Industry negotiators offer Union and indefinite contract extension subject to termination on 10 days' notice from either party; Union rejects proposal.

Companies willing to negotiate insurance and pension benefits during first year of a 2-year contract and a modest wage increase in the second year provided the Union agree to contract provisions enabling the companies to generate economic progress in their operations sufficient to offset the costs of employment increases.

- July 12 - Union suggests formation of a joint committee to study local practices during the terms of a new agreement; Companies remain steadfast in demands that changes in local working conditions are essential to a non-inflationary wage agreement.
- July 13 - McDonald meets with Wage Policy Committee and USW International Executive Board. Union asks for 15¢ hourly package increase for each year of a one-, two-, or three-year contract.
- July 15 - At 12:01 a. m., the new deadline passes without agreement and the sixth Nationwide steel strike since World War II begins.
- July 20 - Federal Mediator Joseph F. Finnegan meets with both sides in New York but describes situation as very serious and not susceptible to an easy or early solution.
- July 22 - Labor Secretary James P. Mitchell named by the President to begin fact-finding probe.
- July 27 - Union and Company negotiators hold first joint meeting since strike began along with Federal Mediator Finnegan who reports there was no substantial change of position by either party in any respect.
- August 1 - Labor Secretary Mitchell asks both sides to get down to serious collective bargaining and meet together daily to reach a settlement.
- August 5 - After two joint meetings, Federal Mediator Finnegan says there is still no change of position by either party.
- August 7 - McDonald leaves New York meetings and begins tour of district picket lines.
- August 17 - First study made by Department of Labor on unemployment impact of strike in 31 major steel-producing and steel-consuming areas releases that the strike is having only limited secondary effects.

- August 19 - Mitchell releases Background Statistics Bearing on the Steel Dispute. Both Union and Industry negotiators assert the report justifies their views.
- August 20 - Joint meetings of top four steel industry negotiators: R. Conrad Cooper, R. Heath Larry, Harold C. Lumb, and John H. Morse, and Union negotiators: David J. McDonald, Howard R. Hague, I. W. Abel, and Arthur J. Goldberg resume in New York. David McDonald and R. Conrad Cooper are present for first time since August 7.
- August 23 - President again states he has no plans for government intervention unless the strike develops into a threat to the National security.
- August 27 - Talks recess until September 2.
- September 2 - Contract negotiations resume but the following day are recessed to September 8.
- September 8 - President Eisenhower sends letters to both sides asking that they begin intensive and uninterrupted good-faith bargaining.
- September 9 - USW calls for face-to-face negotiations between Union and chief executives of 12 major steel companies in an effort to settle the strike, but executives reply that the four man bargaining team fully represents them.
- September 25 - Stalemate negotiations cause a complete break-off of talks and McDonald directs the Union headquarters to be closed in New York.
- September 28 - President summons industry and Union leaders to separate White House meetings to be held Wednesday morning, September 30, in an effort to end the 76-day strike.
- September 30 - Both sides agree under the President's urgings to resume contract negotiations. McDonald and Arthur J. Goldberg, General Counsel of the Union go to the hotel suite of Roger M. Blough, Board Chairman of US Steel Corporation to begin talks.

Top executives of five leading steel companies are also present. This was the first time they had met with Union officials since the strike began.

- October 1 - Negotiations shift to the Penn-Sheraton Hotel in Pittsburgh. Companies submit a new proposal to the Union.
- October 4 - McDonald forewards rejection of the companies' offer by the USW Executive Board as "totally unacceptable." Union requests to meet with top executives of 12 steel companies is rejected by Cooper.
- October 9 - President confers with four cabinet members and takes first steps in invoking the Taft-Hartley Act by appointing a Board of Inquiry. Members of the Board include: George W. Taylor, Chairman, professor of Industry at the Wharton School, University of Pennsylvania; John Perkins, president of the University of Delaware; and Paul N. Lehoczky, professor of Industrial Engineering, Ohio State University.
- October 12 - 13 - Union presents its case to fact-finders.
- October 14 - 15 - Steel industry appears before the Board of Inquiry.
- October 16 - USW offers a new peace proposal calling for a package increase of 21.5¢ an hour over a two year period plus limited cost-of-living increases. Industry estimates the cost at 33¢ over a 20-month period and rejects the Union offer.
- October 17 - The Companies submit a counterproposal for a 3-year agreement with improvements in pension and insurance the first year and a wage increase in each succeeding year. Union rejects offer.
- October 18 - Talks collapse in Washington.
- October 19 - George W. Taylor, fact-finding Board chairman, announces negotiations had broken down and the Board despaired of a settlement. The report, originally set for October 16, but delayed until today in an effort to reach a settlement, is presented to the President.
- October 20 - Federal Judge Herber P. Sorg of Pittsburgh grants the injunction requested by the government. An hour later, the Union files an appeal in the US Third District Court of Appeals in Philadelphia opposing the injunction. Judge Austin Staely grants an immediate hearing.

- October 22 - Circuit Court, Philadelphia, hears US W arguments which claim no National emergency exists which would endanger the Nation's health and safety. Decision grants further stay pending appeal to the United States Supreme Court.
- October 26 - Individual company negotiation meetings resume with local bargaining representatives. Kaiser Steel Corporation and the United Steelworkers of America announce they signed a new contract agreement.
- October 27 - US Third District Court of Appeals upholds the strike injunction, but delays compliance for six days to give United Steelworkers time to appeal to the United States Supreme Court. Detroit Steel signs contract.
- October 29 - Top bargaining resumes in Pittsburgh. No progress reported.
- October 30 - Granite City Steel signs agreement.
- October 31 - Top bargaining talks collapse.
- November 2 - Industry and Union negotiators hold separate conferences with Finnegan in Washington.
- November 3 - Supreme Court hearings open. Decision delayed pending study of pertinent facts by both the US W and the government.
- November 7 - US Supreme Court, by an 8-1 decision, upholds the Taft-Hartley injunction directing the Steelworkers back to work for an 80-day period. McDonald says they will comply with the law and return to their normal employment in compliance with the injunction.
- November 8 - 9 - Plants begin to produce iron and steel for the first time in four months.
- November 17 - Companies make "Last Offer" which they estimate would raise employment costs to about 30¢ an hour in a new 3-year contract. The 17¢ per hour cost-of-living increases granted under the 1956 agreement would continue but provisions would prevent further increases.

Certain Union suggestions to strengthen seniority provisions would be incorporated. The companies propose to remove from the area of conflict the controversial "work rules" provision of the contract by broadening the terms of arbitration.

November 19 - Union rejects industry's new proposal.

December 8 - US W and two major can producing firms--Continental Can Company and American Can Company--agree on a new contract. Companies say it adds up to 28.2¢ per hour over 3 years with probability of cost-of-living to add some 6¢ more. The pact includes improvements in insurance and pensions and other benefits.

December 10 - Mediation session suspended to permit McDonald and other Union officials to participate in Aluminum Industry contract negotiations in Chicago.

December 19 - Five aluminum firms--Aluminum Company of America (ALCOA) Reynolds Metal Company; Kaiser Aluminum and Chemical Corporation; Ormet Corporation; and Olin-Mathieson Chemical Corporation --sign new labor agreement.

New agreements on a 3-year contract provide a 30¢ package increase. Included are cost-of-living and retroactivity on wages and benefits back to August 1, 1959, in accordance with extension agreements.

December 23 - US W says private postcard poll, based upon more than 200,000 replies, shows members opposed to industry's "Last Offer" by a margin of 95%.

December 24 - US W seeks US District Court at Pittsburgh order to force firms to pay 4¢ hourly cost-of-living wage increase. The action taken by General Counsel Arthur J. Goldberg was based on specifications of the Taft-Hartley injunction. Steel firms contend that the cost-of-living provision was not one of the terms and conditions which should be applicable during the 80-day injunction period.

December 28 - President's Steel Inquiry Board resumes sessions but reports no progress.



**December 31 - Vice President Richard M. Nixon and Secretary of Labor James P. Mitchell meet with leaders on both sides in steel dispute urging early settlement.**

**January 4 - Settlement reached after all-night negotiations session in Washington.**

**January 5 - Union's Wage Policy Committee accepts new master agreement.**

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APPROVAL SHEET

The thesis submitted by Alec A. Lazur has been read and approved by three members of the faculty of the Institute of Social and Industrial Relations.

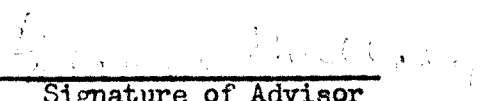
The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the thesis is now given final approval with reference to content, form, and mechanical accuracy.

The thesis is therefore accepted in partial fulfillment of the requirements for the Degree of Master of Social and Industrial Relations.

June 1, 1960

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Date

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Signature of Advisor